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Austria	Sch30	Iran	Rls210	Pakistan	Rs35
Bahrain	Din0.950	Israel	Shk4.50	Philippines	Pes40
Belgium	BFr60	Italy	L2200	Poland	Zl 15,000
Cyprus	C£1.00	Jordan	JD1.20	Portugal	Es175
Denmark	DKr13	Korea	Won 2000	Qatar	QR10.00
Egypt	E£3.50	Kuwait	Fils.500	S Arabia	SR8.00
Finland	FM8.50	Lebanon	L£1,600	Singapore	S$4.10
France	FFr8.00	Lux	LFr60	Spain	Pta175
Germany	DM2.00	Malta	45 cents	Sweden	SKr13
Greece	Dr200	Morocco	MDh16	Switz	SFr2.70
Hungary	Ft145	Neth	Fl 3.00	Thailand	Bht50
Iceland	IKr180	Nigeria	Naira16	Tunisia	Din0.800
India	Rs20	Norway	NKr13.00	Turkey	L5000
Indonesia	Rp3100	Oman	OR1.20	UAE	Dh8.00

SOVIET UNION
Political bargaining by the republics
Page

World News

50 missing as liner sinks off South Africa

Up to 50 people were missing after the Greek cruise liner Oceanos, carrying 582 passengers and crew, sank in heavy seas 1¼ miles off South Africa's Indian Ocean coast.

Fourteen South African air force helicopters had plucked at least 219 people from the listing deck of the 7,554-tonne ship and other vessels risked the shallow waters to pick up hundreds of survivors.

Patrol aircraft were trying to make contact with a tanker and a Chinese cargo ship which had been in the area to see whether they had survivors on board.

Republics gain power

Moscow has agreed to drop plans for a separate federal tax as part of a series of late changes to the Soviet Treaty of the Union that will give more power to the republics at the expense of the centre. Page 14

83 children die in crash

Eighty-three children and four teachers died in Zimbabwe when a bus overturned while carrying them to Harare after a sports meeting.

Tamil siege ended

Sri Lanka urged the separatist Tamil Tigers to attend peace talks after the army broke their 25-day siege of the army base at Elephant Pass where 800 Sinhalese soldiers had been trapped. Page 3

Turkish soldiers killed

Kurdish rebels killed nine Turkish soldiers and kidnapped three others during a rocket raid on a police station close to the Iraqi border. The rebels have recently stepped up a seven-year campaign for Kurdish independence. UK uranium exports to Iraq, Page 14

Bhutto protest

Former Pakistani prime minister Benazir Bhutto launched a 12-hour nationwide fast in Islamabad to protest against "civilian martial law" and to mark the first anniversary of her fall from power. Testing time for privatisation, Page 3

Worldwide union losses

Trade unions throughout the industrialised world suffered declining membership during the 1980s, according to an OECD report. The average share of trade union membership among total employees across 18 member countries fell from 35 per cent in 1980 to 28 per cent in 1988. Page 4

BCCI moves expected

New indictments of the Bank of Credit and Commerce International and its top officials, covering money laundering and bank regulatory offences, are expected to be presented in the US in the next four to six weeks. Page 14

Mubarak in Libya

Egyptian president Hosni Mubarak arrived in Libya on a surprise visit, accompanied by several ministers. The visit followed a telephone discussion "on mutual interests" between Mubarak and Libyan leader Muammer Gadaffi.

Murder record likely

A record 23,700 people will be murdered in the US this year, 25 per cent more than in 1985, a Senate Judiciary Committee staff report predicted.

Greens attacked

Green campaigners have too much influence in drawing up tough EC environmental regulations, according to a survey of the top 1,000 British companies. Page 6

All clear

Belgian prime minister Wilfried Martens, 55, underwent minor eye surgery in Brussels to correct short-sightedness.

Business Summary

W.H. Smith to sell television interests in £45m deal

W.H. SMITH, the UK retailing group, is to sell its television interests – which include the European Sports Network – to a Franco-American consortium in a deal worth £45m ($75.6m).

The consortium is made up of Canal Plus, the French paid-for television channel; ESPN, controlled by Capital Cities/ABC, the US communications group, in partnership with Hearst Corp; and Générale d'Images, the television TV subsidiary of France's Générale des Eaux water and services company. Page 15

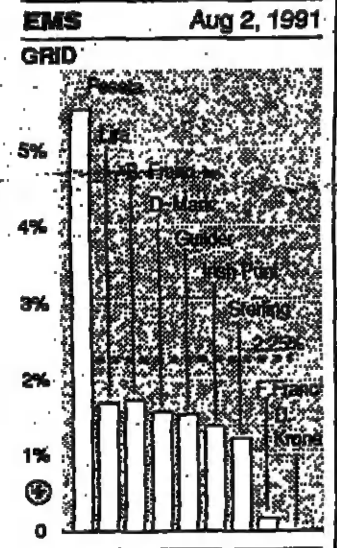
USINOR SACILOR, French state-owned steel producer which is Europe's largest steel maker, is keen to explore the possibility of a joint venture with British Steel which could eliminate the need for the UK group to invest more than £400m ($672m) in a new plate-making mill. Page 15

US BANKING: Further changes to proposals for reform of the US banking structure are likely before the legislation is finalised in October or November. Page 14

EUROPEAN Monetary System: The only change in the exchange rate mechanism grid last week was that the Danish krone replaced the French franc as the weakest currency, but there was little difference between the two. Sterling remained third weakest and the D-Mark fourth strongest. Upward pressure on Madrid money market rates eased after action by the Bank of Spain to add liquidity. The top placed peseta was well within its ceiling against other ERM members.

EMS Aug 2, 1991

GRID



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling and the Spanish peseta operate with 6 per cent fluctuation bands.

UK CONSTRUCTION: There are no signs of recovery in the UK industry and job losses during the current recession will reach 250,000 by mid 1992, says the Building Employers Confederation. Page 6

PAKISTANI government is to sell a 26 per cent stake in Allied Bank, the country's smallest public sector bank, to its employees for Rs490m ($20.5m) Some shares in the bank are to be offered to the public. Page 3; Testing time for privatisation, Page 3

EAST GERMANY: proposals have been drawn up for a large white goods plant on a greenfield site in Saxony, eastern Germany, as part of a plan to privatise the former East German industry. Page 4

KUWAIT'S central bank lifted restrictions on currency withdrawals and transfers. Page 3

Clash likely over Japan's EC car quotas

By John Griffiths, Motor Industry Correspondent, in London

JAPANESE car manufacturers will be producing about 2m vehicles a year within the EC by the end of the decade, according to British government estimates. That is far more than the 1.2m assumed by last week's EC car trade agreement with Japan.

A copy of the agreement, obtained by the Financial Times, shows that there is no limit on the rate at which the Japanese might add new vehicle manufacturing capacity inside the EC. There will be no limits on circulation within the EC of vehicles made at these "transplant" factories.

The gap between the official figures in the agreement and the real scale of likely production will almost certainly lead to further clashes between EC states over Japanese penetration of the European car market.

British government estimates show that Japanese manufacturers could be making 900,000 cars and 100,000 light commercial vehicles a year in the UK alone by 1999. A further 1m vehicles a year will be built elsewhere in the EC.

The agreement to limit Japanese exports to the EC until the creation of an open market in 1999 was based on an assumed annual production from Japanese plants within the EC of 1.2m units.

The EC agreement with Japan, Elements of Consensus, does not put a formal ceiling on Japanese vehicle imports from Japan or elsewhere outside the EC. It provides only for twice-yearly monitoring through talks between EC and Japanese officials, based on a forecast for imports of 1.23m in 1999.

The disparity between the published figures for Japanese production within the EC and the British figures could lead to renewed clashes between the UK, which has taken the most liberal stance on sales from Japanese transplants, and Italy and France, which have pressed for tight restrictions.

French and Italian producers are keen to impede penetration of Japanese cars into their home markets, where Japanese market shares are lowest in Europe. Bilateral restrictions, which must disappear by 1993, have limited Japanese sales to 3.5 per cent of the French market and less than 2 per cent of the Italian.

The conflict is likely to arise if the EC market slips below the size assumed to reach the deal. UK officials acknowledge that France and Italy are likely to seek formal curbs on transplant sales, prompting a big new Community row.

EC vehicle sales accord, Page 4
Brussels gears up, Page 4

EC peace initiative collapses after Serbian president snubs talks

Yugoslavia 'faces tragedy'

By Laura Silber in Zagreb

YUGOSLAVIA faces "tragedy and catastrophe" following the failure of the European Community to secure a ceasefire in the republic of Croatia, Mr Hans van den Broek, the Dutch foreign minister leading the peace initiative warned yesterday.

The breakdown of the peace effort could bring Yugoslavia rapidly towards a full-scale war, which could go well beyond the present conflict between Croats and Serbs.

The EC talks, which began on Saturday in Belgrade, the federal capital and capital of Serbia, broke down after Mr Slobodan Milosevic, the president of Serbia, failed to turn up to a third round of talks yesterday morning.

The peace mission was seen as the last chance to implement a lasting ceasefire, which could have cleared the way for negotiations on the future of Yugoslavia's internal borders.

The collapse of the EC effort may mark a turning point in the crisis, which was precipitated following the declaration of independence by Slovenia and Croatia on June 25.

The failure of the talks prompted Mr Hans-Dietrich Genscher, Germany's foreign minister, to call for an emergency meeting of the 12 EC foreign ministers today.

A spokesman for Mr Genscher said: "The meeting should discuss the results of the EC troika mission [comprising the Luxembourg, Dutch and Portuguese foreign ministers] to Yugoslavia and decide on further steps by the EC."

Mr Franjo Tudjman, the president of Croatia, said it would intensify and broaden its efforts to involve international bodies in efforts to find a solution to the crisis. He said Croatia would seek help from the Conference on Security and Co-operation in Europe, the deployment of peacekeeping forces from the United Nations and call for an international peace conference on Yugoslavia.

Hans Van Den Broek (left), head of the three-man EC negotiating team in Yugoslavia, talks with Croatian president Franjo Tudjman in Belgrade yesterday

More than 300 people have been killed in clashes between Serbs and Croats since Croatia's declaration of independence.

Many of the Serbs, which make up 12 per cent of the 4.5m population of Croatia, do not want to live in an independent Croatia. They either want unity with the republic of Serbia or a wide degree of autonomy.

The violence continued yesterday when three Croat policeman were shot dead by masked gunmen, dressed in Serbian police uniforms, on the motorway about 100km south of Zagreb, the capital of Croatia, according to the Croat authorities.

In Zagreb, where buildings were draped in Croat national flags, the population was plunged further into uncertainty by the collapse of the peace initiative. The airport was closed and all trains heading east of Zagreb towards Belgrade were cancelled.

Restaurants were filled with soldiers from the Croat national guard armed with Kalashnikovs, who appeared to be preparing for increased violence.

The Netherlands is leading the peace talks because it holds the EC presidency. Mr van den Broek said before leaving Belgrade for Brussels: "We have to conclude there is no unanimity, and that there is a lack of political will which would allow for a comprehensive ceasefire."

Mr van den Broek, speaking in a tone of despair at a news conference in Belgrade, called for "reason, and not just emotions" to prevail.

He added: "At this very moment there is nothing more we can do here."

He explained the talks had foundered because "on a number of vital elements, the agreement of one party is lacking and that means the discussions are stagnating if not stonewalled. We deplore this because of our common concern for the plight of the people here."

In a thinly veiled reference to Mr Milosevic, Mr van den Broek said: "It is not difficult for those who followed our work here to recognise those who stonewalled our mission."

Mr Stipe Mesic, a Croat and head of the Yugoslav collective presidency, openly blamed Serbia for the breakdown of the peace mission.

The three EC foreign ministers had proposed a truce in Croatia, which would be signed by all six republics. The truce would be partly monitored by joint units of the federal army, Croatian forces and members of the 600,000-strong Serb minority in Croatia.

Serbia and its allies insisted the warring factions in Croatia sign a truce rather than a ceasefire.

Anxious Croats, Page 2
Editorial Comment, Page 12

Hashimoto faces intense pressure to resign over loans affair

By Robert Thomson in Tokyo

MR Ryutaro Hashimoto, Japan's finance minister, will come under extreme pressure to resign today in order to take responsibility for the country's securities scandals and to show regret for his private secretary's links to a fraudulent loans affair.

The scandals are likely to dominate a special two-month session of the Japanese parliament, which was called to consider proposals for the reform of the political system but which will be highlighted by a debate over financial reform and the ruling Liberal Democratic party's responsibility.

Mr Hashimoto has apparently told colleagues that he considered resigning, although he said publicly at the weekend that he was determined to reform the financial system, which has been shaken by revelations of brokers' compensation of favoured clients and their lending to gangsters.

The finance minister conceded that he faces a tough week, a period he compared to a "bed of nails". His secretary, Mr Toyoki Kobayashi, has admitted to introducing five people to a branch manager at Fuji Bank who was recently dismissed for his role in a Y260bn ($1.9bn) allegedly illegal loans scheme and who is said to have arranged for the five to borrow Y1.27bn.

Loans were provided to companies and individuals by finance companies after the Fuji Bank manager allegedly issued fake deposit records as collateral.

Mr Hashimoto said at the weekend that his secretary, who tendered his resignation, was unaware of the alleged fraud, adding: "It is too much to expect him to discover irregularities. My supervision was insufficient. I strongly feel my responsibility."

Opposition parties will want Mr Hashimoto to resign and they will exploit an apparent rift between LDP officials and the Finance Ministry over the need to establish an independent securities agency similar to the US Securities and Exchange Commission (SEC).

Ministry officials oppose the SEC idea, while LDP members are under public pressure to take action against the industry and support the proposal.

Scandals involving compensation payments made by top Continued on Page 14

Seeking respect, Page 12

Shamir wins cabinet backing for Middle East peace talks

By Victor Mallet in Jerusalem

ISRAEL'S coalition cabinet yesterday overwhelmingly endorsed the decision by Mr Yitzhak Shamir, the prime minister, to send a delegation to a Middle East peace conference in October on condition that the Palestinian representatives meet with Israel's approval.

The vote was 16 to three in favour of Mr Shamir's qualified acceptance of the conference, which is being sponsored by the US and the Soviet Union.

Mr Yassir Arafat, the Palestine Liberation Organisation leader, again rejected Israeli demands that the Palestinians should exclude from the delegation citizens of Israeli-annexed East Jerusalem. But significantly, Mr Bassam Abu Sharif, one of Mr Arafat's advisers, said he did not think any obstacle was big enough to prevent Palestinian attendance.

This provided further encouragement for Mr James Baker, US secretary of state and chief architect of the conference. Mr Baker, in Tunis for talks with President Zine El-Abidine Ben Ali as part of his indirect efforts to persuade the Tunis-based PLO not to stand in the way of restricted Palestinian attendance at the conference, said he had only a brief look at Mr Abu Sharif's remarks, but added: "We think we have here the process that has the potential to lead to a real and comprehensive peace."

The Egyptian government reinforced Mr Baker's efforts in discussions over the weekend at the Islamic foreign ministers' conference in Istanbul. Mr Amr Moussa, the Egyptian minister, urged Mr Farouk Kaddoumi, the PLO foreign affairs chief, not to allow procedural wrangles "which history will forget" to prevent Palestinian participation in the peace conference.

After the vote at the Israeli cabinet meeting Mr Ehud Olmert, the health minister, said:

"This is a major move forward and we have to be very careful about it. But I think the damage that might have been caused to Israel had we answered negatively was much greater than the risk."

Recent moves towards convening a regional peace conference have been made possible by Syria's agreement to face Israel across the negotiating table. Syria wants to win back the Golan Heights, lost to Israel in the 1967 war.

Israeli settlers from the Golan yesterday lobbied ministers in an attempt to secure a government commitment to keep the control of the heights in perpetuity.

Mr Shamir was opposed by three far-right ministers, Mr Ariel Sharon, housing minister in Mr Shamir's Likud party, Mr Yuval Neeman, the science minister who leads the Tehiya party, and Mr Rehavam Zeevi, minister without portfolio from Moledet, another right-wing faction.

Price of peace, Page 14

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THE MONDAY INTERVIEW

Jacques Delors, president of the European Commission, discusses his big ambition – to see Europe taking on the new world role cast for it by the end of the cold war. He has in consequence revised former opposition to enlargement of the EC.
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FORTHCOMING FT SURVEYS

MALAYSIA

Above: buildings old and new in central Kuala Lumpur.
See survey details, right

■ SATURDAY AUGUST 17:

Careers and Courses: lessons to be learned on career counselling, language courses, cramming and the job market.

■ THURSDAY AUGUST 29:

Malaysia: one of Asia's most dynamic countries is attracting more foreign investors, especially in manufacturing and industrial sectors.

■ FRIDAY AUGUST 30:

Zimbabwe: 11 years after achieving independence, Zimbabwe is on the brink of momentous changes that will determine its economic performance in the 1990s.

Reluctance to send armed force to Yugoslavia limits Community

Failure of EC peace mission shows up flaws

By David Buchan in Brussels

THE failure yesterday of European Community attempts to forge a ceasefire agreement between Yugoslavia's leaders revealed not only the deep divisions among the country's politicians, but also the limited scope of the EC's mission.

The EC is clearly committed to putting diplomacy and money at Yugoslavia's disposal, but not to sending in an armed peace-keeping force to separate the warring parties if communal conflict worsens.

The 12 member states could only agree last Monday on their offer to quadruple the existing monitoring force from 50 to 200 and to send it into Croatia provided there was no serious danger of it being attacked. Before officials travelled to Yugoslavia at the weekend it was searching for such an assurance.

France's suggestion that only an EC armed peace-keeping force might prove a real buffer between warring Serbs and Croats has had little echo among its EC partners.

Mr Douglas Hurd, Britain's foreign secretary, said such a European force could not be ruled out as a future possibility, provided it came under the Western European Union (WEU) organisation.

But the UK remains reluctant, mindful of its own unhappy experience in northern Ireland, of such a force.

Almost all other EC governments seem deeply reluctant to send soldiers into Yugoslavia, diplomats say. Nor do they consider consensus for such an operation likely among the nine EC countries that make up the WEU.

Germany currently chairs this defence organisation. Mr Volker Ruhe, secretary general of the Christian Democrats, who dominate Bonn's ruling coalition, has been calling for a European buffer force in Yugoslavia.

However, most diplomats in Brussels believe his influence will be offset by Mr Hans-Dietrich Genscher, the Free Democrat foreign minister, who would not want to upstage the newly created mechanisms of the Conference on Security and Co-operation in Europe (CSCE).

If the EC does not send armed peace-keepers into Yugoslavia, it may not be for want of an invitation.

The Yugoslav federal government, at least, has made it clear to Brussels it wants the EC to keep the lead in any further internationalisation of the crisis.

Mr Jacques Delors, European Commission president, has said the EC should be as fully committed to peace-brokering in Yugoslavia as the US is in the Middle East.

He promised last Monday a special Commission task-force to consider new forms of technical and economic aid for Yugoslavia. But by last week there was no sign of such a force.

Mr Hans van den Broek, foreign minister of the Netherlands, which presides over the EC Council of Ministers, said existing EC aid worth about Ecu850m (£593.3m) would remain frozen until all-party talks on Yugoslavia's future started.

Brussels, in the meantime, has no intention of sending its constitutional lawyers out to draft a new constitution for Yugoslavia.

Despite Yugoslav interest in the quasi-federal machinery of the Community, "the EC is an analogy, not a model, for Yugoslavia", says one official.

This is because the Community, which is trying to bring its 12 states closer together, is taken by the Yugoslavs as "a model for disassociation, for becoming more, not less, separate".

Anxious Croats watch and wait, expecting the worst

FEAR, anger and uncertainty grip Zagreb, the capital of Croatia, as Croats wait for their government to declare a state of war, writes Laura Silber in Zagreb.

"The general perception is that the government is unable to cope with the fact Croatia is at war," said Mr Tomislav Katic, a lawyer in the capital.

Croats are questioning what went wrong over the past year, since the ruling Croatian Democratic Union (HDZ), under President Franjo Tudjman, won a landslide election on a platform of independence for Yugoslavia's western republic.

Mr Darko Bekic, a former adviser to Mr Tudjman, summed up the problem in an interview with Danas, a Croatian weekly newspaper: "In the euphoria that followed the elections, it was forgotten that the Serbian minority in Croatia also had entered democracy and that Serbs also had the right, as did the Croat majority, to their flag and political interests."

While there is criticism of the Croatian government, it is Mr Slobodan Milosevic, president of Serbia, who is seen as the man responsible for the deaths of hundreds and the nearly 50,000 refugees who have fled strife-torn regions of Croatia.

Many Croats also see Mr Milosevic as the villain who prompted Croatia's 600,000-strong Serbian minority to rebel against the government, in order to establish a Greater Serbia.

"President Tudjman has made mistakes, but Mr Milosevic is trying to conquer and destroy Croatia. One cannot compare the two politicians," said Mr Katic, who supports Croatia's opposition Social Liberal party.

Although he did not vote for the HDZ, he says he feels, like most Croats, obliged to support the government while Croatia is at war.

"The war is very close, only 50km away. Yesterday I volunteered to help the refugees. Some of my friends, who are professionals, have joined the national guard because they cannot stand any longer to watch the corpses of Croat policemen on television," Mr Katic said.

At least 200 Croatian police and national guards have been killed in fighting with Serbian militants and the Serbian-dominated federal army since Croatia declared independence on June 25.

While Croats seem to expect the worst and are waiting for war to come to Zagreb, they are also looking to the government for leadership.

"Most Croats, of all political hues, are more frightened by the paralysis and indecisiveness of the government than of the looming danger," says Mr Sinisa Bubic, a Zagreb journalist.

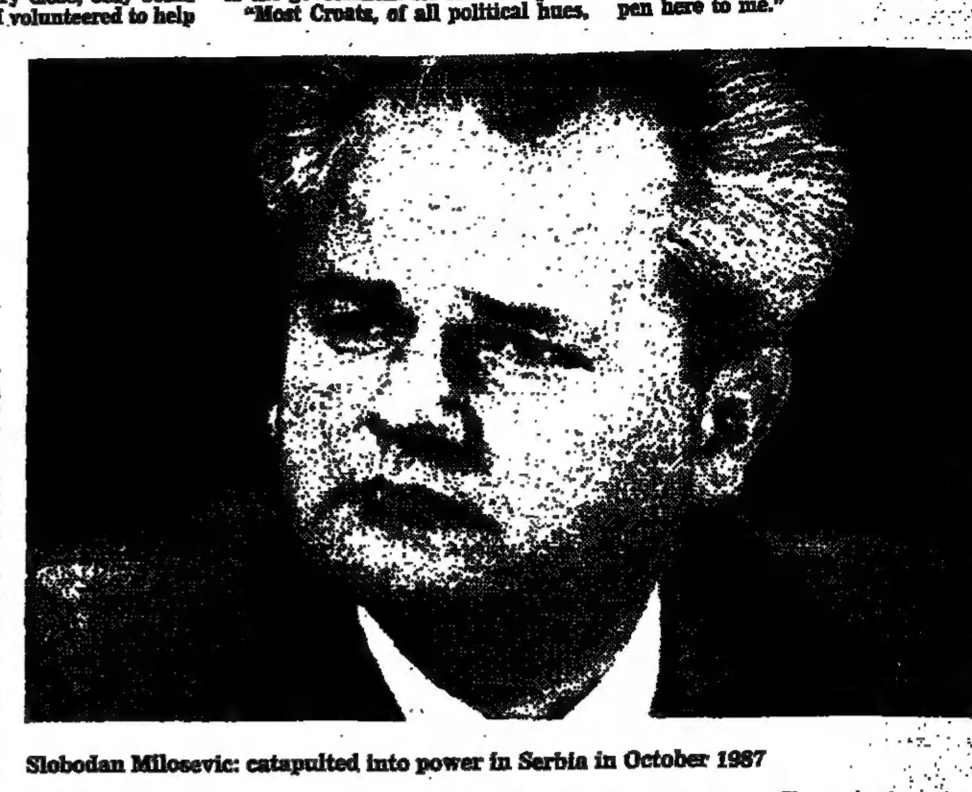
Meanwhile, an eerie silence envelops Zagreb's city centre. The railway station, usually packed in the peak of summer, is deserted. The only train scheduled to depart yesterday morning for Paris was fully booked.

Many choose the uncertain fate of a refugee, rather than wait for war.

But Mr Katic says he will not abandon Croatia. "I always thought wars were fought in deserts and far off places; I never thought it would happen here to me."

Serbian nationalist who holds key to ceasefire

But diplomats are sceptical Slobodan Milosevic will negotiate lasting peace, writes Judy Dempsey



Slobodan Milosevic: catapulted into power in Serbia in October 1987

THE unofficial war now being waged against Croats by the federal army-backed Serb nationalists will spread rapidly unless Mr Slobodan Milosevic, president of Serbia, decides to speak out against fighting and declare his political intentions, according to western diplomats.

But they add that Mr Milosevic, one of the principal architects behind Yugoslavia's worst crisis since the Second World War, could be losing control over the Serbs living in Slavonia, eastern Croatia, and those living in the self-proclaimed autonomous republic of Knin, south Croatia.

Mr Milosevic was catapulted into power in Serbia in October 1987 by promising Serbs he would redress a decision made in 1974 by the late President Tito.

Tito carved out of Serbia two autonomous provinces – Kosovo in the south and Vojvodina in the north – precisely to contain the influence of the Serbs, the largest ethnic group in Yugoslavia, from dominating the federation.

But even during Tito's time Serbia wielded considerable influence, both in the federal army – in which 70 per cent of the officer corps are Serbs – and in Croatia, where it exerted considerable power in that republic's police and internal security forces.

Once head of Serbia's Communist party, Mr Milosevic moved quickly to boost his power base by exploiting the latent nationalism which Tito and the ruling communists suppressed for more than four decades.

By toppling the government in Montenegro in the autumn of 1988, and soon afterwards the government in Vojvodina, he secured enough clout on the collective eight-man state presidency to regain direct control over Kosovo.

The province, in which ethnic Albanians constitute more than 90 per cent of the population, was soon turned into a virtual police state. Prominent ethnic Albanian intellectuals were dismissed, the local party and security forces were purged, and instead Serbs were promoted to positions of power.

A similar, but less intense process, was carried out in Vojvodina.

The speed in which Mr Milosevic extended the power of Serbia served only to fuel the sense of nationalism in the two western republics of Slovenia and Croatia, who in free elections last year shook off communist rule.

Fearing a Serb-dominated Yugoslavia – and haunted by memories of the Kingdom of Serbs, Croats and Slovenes set up in 1918, in which the three ethnic groups quarrelled over the distribution of political power – Slovenia moved more quickly towards independence, followed by Croatia.

The declaration of independence by both republics on June 25 was the final straw for the federal army, and for Mr Milosevic.

The army, deeply embedded in the Titoist ideology of maintaining the territorial integrity of a united and federal Yugoslavia, moved against Slovenia.

But the military offensive against Slovenia failed because the republic, which retain one of the best trained territorial defence units in the country, had earlier in the year refused to hand over weapons following an order by the federal army.

The Croatian government, much to its regret now, complied with the army command. This partly explains why Croatia's troops are so poorly armed, and why Hungary supplied weapons to the western republic earlier this year.

Mr Milosevic, recognising that Slovenia has been lost, remains determined to prevent Croatia from becoming a fully-fledged independent republic.

Unlike Slovenia, which is ethnically homogenous, 12 per cent of Croatia's 4.5m population are Serbs.

The Serbs in Krajina, a region south of Croatia which borders with the central Yugoslav republic of Bosnia-Hercegovina, have refused to join an independent Croatia and have carved out their own autonomous republic in the republic.

It is difficult to see how this region, whose leaders openly say they want to join with the Serbia republic, can become reintegrated into Croatia in the future. Croatia, de facto, has already lost this territory.

The Serbs in Slavonia, in east Croatia, are now just as determined not to live in an independent Croatia. Desperate to legitimise their actions, their leaders keep recalling 1941, when the Nazi-backed Ustasha government in Croatia murdered tens of thousands of Serbs and Jews.

Tragically, history is now the prime factor which today influences relations between Yugoslavia's ethnic groups.

Backed by Mr Milosevic and the federal army, the Serbs in Slavonia are waging a war of attrition against the poorly-armed Croatian National guard.

Due to the proximity of the river Danube, the Serbs can escape across into Vojvodina, pick up supplies and continue forcing out Croats from villages close to the Serbian border.

Through such persistent fighting, informal borders, which are aimed at creating a greater Serbia, have been mapped out in recent weeks.

Officials from Croatia and Bosnia-Hercegovina believe that until Mr Milosevic has secured a corridor across Bosnia-Hercegovina, which would link the Serbs in Krajina with Serbian proper, Serbs are unlikely to lay down their weapons. The aspirations of all Serbs living in one enlarged republic today dominates the agenda of the nationalists.

In Serbia itself there are few voices of moderation.

There is virtual paralysis among the opposition Democratic party which is too small to exert influence and is no match for the intense media propaganda nationalism which grips the republic.

Against this background, Mr Milosevic is perhaps the only politician who could ensure the implementation of a ceasefire. This could be the first step towards opening up negotiations for the future of Yugoslavia.

But one western diplomat yesterday held out little prospect of Mr Milosevic diverting from his undeclared goal of creating a greater Serbia.

"He can continue to manipulate the Serbs. He can continue to wage war in Croatia by remaining silent. He can prevent military advisers from the European Community coming in because that would mean we would officially see for ourselves the exact relationship between the federal army and the Serb fighters.

"He will rein in his Serbs once he has carved out a new Serbia. He is the problem the EC faces," the diplomat said.

GORBACHEV HAS HUGE PERSONAL STAKE IN UNION TREATY

Soviet republics win concessions

By Chrystia Freeland and John Lloyd in Kiev

IN SOVIET president Mikhail Gorbachev's campaign to push through the Union Treaty the republics have gained last-minute concessions from central government. But while the most recent changes have won over the Russian republic, others, including Ukraine, are still holding out.

Mr Gorbachev says the latest and final draft of the treaty will be open for signing from August 20. Many Soviets and western leaders believe economic reform is impossible until the struggle for political control between the centre and the republics – known as the "war of laws" – is resolved.

The most recent draft of the treaty was discussed by Mr Gorbachev and leaders from 10 republics on July 23 and is seen as a final chance to hold the Soviet Union together. It is a revised version of the Novo-Ogarevo accord negotiated in June, which devolved considerable powers to the republics.

The new draft, which is incomplete, goes further. It differs from the original in three general areas: government structure, control of the economy, and the role of autonomous republics. On the crucial issue of taxation the negotiators left a blank, which was filled in at the last minute.

Mr Gorbachev has a huge personal stake in the treaty. On principle, he is committed to preserving the union. Politically, he must prove he can still balance demands of hardliners, who favour a more centralised state, and separatists in the republic.

Overall the revised draft makes greater concessions to the republics, which in the first version were already granted right over their land, resources and waters, and a say in defence, budgetary and foreign policy.

The main changes are:

- Republics have a stronger voice in the federal government. The heads of the republics are full members of the federal cabinet, rather than just having the option to participate, and the Council of the Republics, one of the chambers of parliament, is given more authority, including a say in the formation of the cabinet
- Although the most contentious issue, taxation, was left blank in the July 23 draft, last week Russian president Boris Yeltsin, Kazakhstan leader Nursultan Nazarbayev, Mr Gorbachev and Mr Valentin Pavlov, Soviet prime minister, came to an agreement whereby the republics are to collect taxes exclusively, then pay a fixed 10 per cent of their take to the centre. Ukraine, which is insisting on complete control over taxation, was not a party to the arrangement
- The issue of control over money supply, which was already to be undertaken jointly by the centre and the republic, must now also be "agreed" by the republic.

However, in two important ways the Union republics are weakened.

Autonomous republics, self-governing regions among the 15 Union republics, are given more power, thus weakening the larger Union republics. In the new accord they are able to go over the heads of the Union republics by appealing to the constitution of the USSR.The draft makes special reference to the Russian republic, which is most threatened by the autonomous republics.

Resources, such as oilfields, found on the territory of several republics come directly under the Union's jurisdiction.

In general, the treaty is strikingly incomplete and haphazard. But Mr Gorbachev seems more concerned with signatures than substance.

Yeltsin decree takes effect

By John Lloyd

A DECREE by Mr Boris Yeltsin, Russian president, banning political party branches at workplaces came into effect yesterday – amid signs that Soviet authorities may not be prepared to challenge him on the issue.

However, Mr Yeltsin will face a fight from within Russia, in at least one of the 16 autonomous republics still run by a powerful Communist party.

Hardline communists have in the past few days made clear their objections to the decree but vowed loyalty to the Russian president.

Strong support at the weekend for Mr Yeltsin came from his new secret service chief, Mr Victor Ivanenko, chairman of the Russian KGB.

Mr Ivanenko said the decree was aimed at promoting civil peace by making all parties and movements equal.

Mr Boris Gidaspov, leader of Leningrad's communists and generally reckoned among the hardliners, characterised the decree as "another attack on the Communist party" – but added: "Still, it is a decree of the president, elected by the whole country."

However, Mr Mintimer Shaimiev, president of Tataria, an autonomous republic within Russia, has said he will refuse to carry out the decree and that the Communist party will continue to organise in enterprises within the republic. Tataria is the most independently-minded of the 16 autonomous republics but is not alone in having a Communist leadership which sees Mr Yeltsin as a threat rather than a liberator.

Continuing splits within the ranks of the Communist party are in any case reducing its power to strike back against its tormentors. A conference over the weekend of the Communists for Democracy, led by Mr Alexander Rutskoi, the Russian vice-president, decided to create a party later in the year which would act as a democratic-Communist alternative to the Russian Communist party which – though a constituent part of the Communist party of the Soviet Union – is well to the hard left of it.

Mr Alexander Yakovlev, the former politburo member and close aide to President Mikhail Gorbachev, said in an interview that where Mr Gorbachev believed in the possibility of renewal for the party, he did not. He said that in deep thought about the Marxist faith which he has served all of his working life, he had concluded that it was Marxism itself which was flawed.

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PLO struggles to win role in peace process

By Tony Walker in Cairo

THE Palestine Liberation Organisation stepped up its campaign at the weekend to secure recognition of its place in any new Middle East peace effort. It was fearing a humiliating exclusion from a proposed peace conference.

Mr Yassir Arafat, PLO chairman, continued a round of meetings with North African leaders, begun in Rabat last Wednesday, to enlist their support as the US pushes on with plans for an October meeting of Israel and its neighbours.

He has held talks with King Hassan of Morocco, President Zine al-Abidine Ben Ali of Tunisia and was to meet President Chadli Bendjedid of Algeria just hours before Mr James Baker, US secretary of state, was due to arrive in Algiers today from Tunis and Morocco.

Mr Arafat, amid a growing chorus of criticism from hardline PLO factions, insisted that the Palestinians receive a memorandum from the US stating clearly Washington's acceptance of "international legitimacy" as the basis for a settlement.

This was a reference to UN Security Council resolutions 242 and 338 that call on Israel to withdraw from territory occupied in the 1967 war – the West Bank and Gaza Strip, and the Golan Heights.

"We are for a just peace," Mr Arafat declared in Tunis, "but it is the first time in history that a party to a conflict wants to have the right of veto on the composition of its adversary's delegation."

Mr Baker has urged the PLO to take a "back seat" in the approach to the proposed peace conference, and to allow "non-controversial" Palestinian representatives to be grouped with Jordan so as to avoid an Israeli veto.

But the PLO, fearful that its hard-won status in the Arab world as the the "sole legitimate representative" of the Palestinians was being undermined, is showing increasing exasperation over its almost invisible role.

The organisation has been shunned by traditional backers, such as Gulf states and Egypt, in protest at its support for President Saddam Hussein in the Gulf crisis.

Mr Arafat's already shaky credibility in the west also suffered badly.

PLO officials say the organisation would be "very flexible" on representation if the US promises in writing that the proposed peace conference would be aimed to implement UN resolutions. A PLO official in Jordan said: "Arafat is needed if they want to make peace. He is the only one who can guarantee safe delivery on 242."

The PLO leader accepted the UN resolution in 1988 as the basis of a peace settlement, in the face of strong opposition from Palestinian hardliners who asked what Mr Arafat was getting in return. The PLO had long opposed 242 on the grounds that it implied recognition of Israel and treated the Palestinian problem as merely that of refugees.

Robert Mauthner, Diplomatic Correspondent, reports: Britain indicated at the weekend that it did not agree with the Israeli government's objection to the inclusion of representatives from East Jerusalem in a Palestinian delegation to the proposed peace conference.

Senior Foreign Office officials who had talks in London on Saturday with two Palestinian representatives, Mr Faisal al-Husseini and Mrs Hanan Ashrawi, said that Britain had always regarded East Jerusalem as part of the Occupied Territories, rather than part of the capital of Israel.

The Palestinian representatives were in London as part of "the regular dialogue" which Britain had with Palestinians, a Foreign Office spokesman said.

Mr al-Husseini, who is closely associated with the PLO, is the leader of the Palestinian delegation which has met Mr Baker on several occasions since the end of the Gulf war. Both he and Mrs Ashrawi met Mr Baker in Jerusalem last Friday.

China to set up more stock exchanges

CHINA'S central bank is committed to expanding stock markets in the country, the official China Daily reported yesterday, Reuter reports from Beijing.

The bank is drafting a big programme to encourage exchanges, including setting a regulatory framework, allowing new listings and opening the market for foreign investment, Shang Ming, an adviser to the People's Bank of China, said.

"The State Council (China's cabinet) is paying close attention to the experiments of China's two stock exchanges in Shanghai and Shenzhen. We plan to expand the two markets this year," said Shang, a former vice governor of the bank.

The newspaper quoted an economist as saying the plan is a "decisive step towards putting our financial activities gradually onto the track of international norms."

The Shenzhen exchange, just over the border from Hong Kong, was allowed to open officially last month, after three years of grey-market trading.

The market in Shanghai, China's biggest city and site of the pre-revolution stock exchange, opened in December.

Eight companies now have shares listed in Shanghai, and six in Shenzhen.

● One of China's most famous dissident journalists, released this year after 20 months in prison, has been re-arrested, his brother said yesterday.

Zhang Weiguo, 34, was taken from a relative's home in east China's Zhejiang province.

Women of the Pakistani opposition People's Democratic Alliance chant anti-government slogans yesterday in Karachi during a hunger strike against the arrest of opposition activists on charges of terrorism

Allied Bank stake to be sold to employees

By Farhan Bokhari in Islamabad

THE PAKISTANI government is to sell a 26 per cent stake in Allied Bank (ABL), the country's smallest public sector bank, to its employees for Rs490m (£12.25m).

Some shares in the bank are to be offered to the public.

The deal, backed by the bank's management, could mark an important step in government attempts to allay union fears that the privatisation programme will lead to heavy job losses.

Under the terms of the agreement announced in Islamabad by Mr Sartaj Aziz, finance minister, all 7,325 employees of ABL would become shareholders.

They would initially buy out 26 per cent of the shares in a deal to be finalised within a month.

A further 25 per cent of the shares would be sold to employees within six months, giving them a final 51 per cent stake. Also, 14 per cent of the shares would be offered to the public on the stock market.

ABL employees will be prevented from selling their shares during an initial five-year period.

Mr Aziz said his government would consider similar deals in other state sell-offs. Pakistan's government says that it plans to sell at least 115 public sector factories, plus such services such as banks.

A government official said recently that a few employee-management buy-outs would help to build confidence among workers during the privatisations.

Testing time for privatisation

Farhan Bokhari assesses a cornerstone of Pakistani policies

PAKISTAN'S privatisation programme has become an important test for the success of the new economic policies of the government of Prime Minister Nawaz Sharif.

Since it came to office last November, the government has said repeatedly it is committed to privatising public sector bodies so as to increase productivity and expand the free market. Officials say some government-owned units are inefficient and return meagre profits.

While the government says its plans are still on schedule, a lukewarm response from investors, because of a host of worries about the programme, has raised concerns that the drive towards privatisation may be slowing.

The government could raise some Rs150bn (about £3.75bn) – the figure put on the total paid up capital for all public sector holdings, including factories, development finance institutions and services.

Islamabad has announced various steps this year to encourage private sector investment. Liberal tax holidays have been introduced for new industries.

Complicated bureaucratic procedures in the way of permission for new investments have been pruned in most sectors. A government-sponsored international investment conference is to take place in Islamabad in November to attract foreign investors.

So far, the government has invited offers only from business groups, but some companies may be floated on the stock market and further employee or management buy-outs will be considered. There are no restrictions on foreign buyers, except in companies in defence related industries.

The government is considering initial bids for the sale of the Pakistan Telecommunications Corporation (PTC), the national telephone company, which employs 54,000. It is one of the biggest companies to be offered for sale so far. Several foreign companies have expressed interest, including Cable and Wireless, AT&T, Ericsson and Telecom Australia. PTC gross profits last year were Rs9.508bn (about £240m), say government figures.

Another of the larger companies for sale is Pakistan Steel, in Karachi, which employs 22,000 and produces pig iron, billets, hot rolled sheets/plates, cold rolled sheets and galvanised sheets.

Mr Saeed Qadir, chairman of Pakistan's privatisation commission, says that, so far, only 20 units have been advertised, but he expects 80 to 90 per cent of the 115 industrial concerns to be offered for sale by the end of this year.

The commission has completed evaluation studies of almost two-thirds of the units and more should be advertised soon, he adds.

Profitability in the companies to be sold is running at between 1.5 to 1.8 per cent of annual turnover. They include factories producing chemicals, fertilisers, cement, textiles, engineering equipment, ghee (a blend of oils used by most Pakistanis to cook food) and roti (a flour bread).

The service sector has also been opened, with the sale in January of 26 per cent of Muslim Commercial Bank, which was Pakistan's fourth largest public sector bank, and the offer for sale of Allied Bank to its employees.

In all, five public sector banks are to be sold.

The government took bids from private groups, selling the MCB stake to a consortium of 12 investors for Rs840m. The banks' new owners are required to sell another 25 per cent shares on the stock market. That sale is expected this year.

Mr Qadir says he expects these initial deals to generate confidence among investors. However, some observers say the government is overpricing the companies and that sale conditions are putting off buyers. Mrs Salma Ahmad, a leading industrialist and former MP, says: "There is a popular lament among the business community that industries are overpriced."

Asking prices are higher than the productive worth of many industrial units, which are running at a loss, according to another Islamabad industrialist. So, investors are reluctant to make offers above the government's "reserve price" minimum. Of bids received for 15 units so far, only offers for three of them have been above the reserve price.

Mr Jehangir Siddiqui, president of the Karachi stock exchange, Pakistan's main stock market, says the balance sheets of many units are flawed, giving a misleading assessment of their financial liabilities. Other conditions, such as the requirement that workers should not be laid off during an initial 12-month period, are discouraging some businessmen, he says.

Mrs Ahmed says that, despite some changes to simplify official procedures, more changes still need to be made to the bureaucratic structure.

Rising crime in Pakistan, which the government fears will put off investors, is being tackled, according to Mr Qadir.

Mrs Ahmed says opposition from labour unions could provide a setback. Unions need to be convinced of the viability of the programme and their fears put to rest, she adds, and Mr Qadir agrees.

Mr Qadir says the government is now encouraging a labour-management buy-out of factories, where possible, to avoid confrontation. Even where private investments are made, the government is trying to give 10 per cent shares to workers in factories for sale.

But a senior official says privately that the fears "would not go away easily. There are many union leaders who believe that privatisation would mean massive job losses". Some union leaders at ghee factories have said that they would not allow new investors to inspect their factories before submission of bids. The official adds: "This could create a complex situation. Buyers would be deterred if they are unable to go into factories where they want to invest".

There are also fears that a new government might renationalise. Mr Qadir says the present administration is about to introduce a parliamentary bill which would require any future government to secure at least a two-thirds majority in parliament for any renationalisation. Asked what would happen if a military government were to return to power, override the constitution and nationalise industries, he said: "Nobody can fully guarantee, in a country like this, but certain actions can preclude renationalisation".

He claims that no future government would be able to close its eyes to privatisation because this is the only avenue to make public sector units profitable.

However, a senior official says privately that, while the government may be heading in the right direction, its time frame for privatisation is ambitious and may need revision. "If privatisation takes off, that could create new opportunities for this country. But the question is whether the take-off can come as soon as what some politicians would like to see."

Mexico and Venezuela to widen oil concession

MEXICO and Venezuela have agreed to broaden the scope of the San José Pact, which offers oil on favourable terms to the cash-strapped nations of Central America and the Caribbean, Reuter reports from Mexico City.

In an effort to spur the poorer economies of the region, the two countries increased the amount of oil available under the pact to 160,000 barrels per day from 130,000.

The new terms, signed by Mexican President Carlos Salinas and Venezuelan President Carlos Andrés Pérez, were first proposed during the Gulf crisis when high oil prices put a severe strain on the economies of Central America and the Caribbean.

The renewal of the 11-year-old pact signalled a growing regional fraternity, spearheaded by Mexico as a counterweight to plans for free trade with the US and Canada.

Singapore to hold election early

Singapore's next election will be held before it is required by law in late 1993, Prime Minister Goh Chok Tong announced yesterday, AP reports from Singapore.

Mr Goh said it had been his intention to use the government's full five-year term in office, but members of his cabinet and others urged that polling take place ahead of time.

The ruling People's Action Party has governed Singapore since 1959 and holds 80 of the 81 elected seats in parliament.

Former policeman to govern Punjab

India's new government has appointed a former senior policeman to govern Punjab, the northern state torn by a Sikh independence campaign and now ruled directly from Delhi, Reuter reports from Chandigarh.

Surinder Nath succeeds retired general O.P. Malhotra, who resigned when Prime Minister Narasimha Rao's government postponed Punjab elections two days before they were due after death threats against candidates and voters.

Prague signs pact with Baltic states

Czechoslovakia has signed economic agreements with Lithuania, Estonia and Latvia, the state news agency CTK said yesterday, Reuter reports from Prague.

The agreements make it possible to sell goods for hard currency and for companies to co-operate directly.

Czechoslovakia has already signed similar accords with the Russian Federation, Byelorussia and the Ukraine.

Reform manifesto for Bulgaria

Bulgaria's former Communist Party unveiled a manifesto for cautious economic reform and good relations with Moscow and Washington when it launched its campaign for next month's elections at the weekend, Reuter reports from Sofia.

Party leaders said the programme aimed to stimulate Bulgaria's debt-ridden economy through production incentives and easing company tax burdens.

"We have worked out a manifesto that is neither right-wing nor left-wing but responds to national interests," said Mr Janaky Stoilov, one of the platform's authors.

The elections, due on September 29, will be the second time the former Communist Party, now named the Socialist Party, has had to compete for power since it ousted the hardline leadership of Todor Zhivkov in November 1989.

The new poll will be the first in Bulgaria to use proportional representation, a system some analysts believe could help the Socialists hold on to their absolute majority.

E German leader finds new role

Mr Egon Krenz, who led East Germany's ruling communist party in 1989 when the Berlin Wall opened, is training for a new career as a property manager in a reunited Germany, Reuter reports from Berlin.

A longtime stalwart in the East German power structure who became party chief in October 1989 only to be toppled six weeks later in a democratic revolution, said yesterday he had a new lease on life.

"After 20 months without work, (real estate magnate) Mr Gerd Breuer has thankfully proposed to retrain me in economics. I will take courses twice a week for the next six to eight months," he said.

Mr Krenz would then work for Mr Breuer as a manager responsible for investment in low-cost residential housing.

Bush gears up for re-election campaign

By Peter Riddell, US editor, in Washington

ORGANISATION and fund-raising for President George Bush's re-election campaign in 1992 will begin after the summer holidays, although he might not formally declare until early next year that he will seek a second term.

Mr Bush met 30 close allies and political advisers for more than three hours over the weekend at his Camp David retreat outside Washington. No specific decisions were taken but the White House said afterwards that "political organising and financing will begin" in the autumn.

There is much speculation in Washington that Mr Robert Mosbacher, Commerce Secretary, will resign before long to serve as campaign chairman, assisted by Mr Bob Teeter, a political consultant, and Mr Fred Malek, both long-standing associates of Mr Bush.

Mr Mosbacher has made little mark at Commerce, where he has been noted more for affability and charm than deep grasp of policy. However, he was Mr Bush's very successful chief fund-raiser in his 1988 campaign.

Discussion of the prospects for the 1992 campaign has increased after Mr Bush's remarks on Friday that only a health problem, which he says he does not have, would deter him from seeking re-election. While still receiving treatment for a thyroid condition discovered this year, Mr Bush is back to his usual energetic round of work and physical activity.

The president is a strong favourite to be re-elected, in view of his very high approval ratings and the disarray in the Democratic Party.

The polls show that Mr Bush scores highly for his handling of foreign affairs and his leadership qualities, underlined by the Gulf war, but is vulnerable to Democratic criticism of his apparent lack of interest in domestic policy.

Polls also show considerable unease among many Americans about the direction the US is taking.

Leading Democrats have been attacking Mr Bush recently for devoting too much attention to foreign policy and not enough to problems of health care, the economy and the inner cities.

Only one Democrat has formally declared his candidacy, former Senator Paul Tsongas of Massachusetts.

Several other leading candidates are considering whether to run, including Senator Jay Rockefeller of West Virginia, Senator Al Gore of Tennessee, Governor Bill Clinton of Arkansas, Governor Doug Wilder of Virginia and Senator Tom Harkin of Iowa.

Peace move after Tamil siege ended

By Mervyn de Silva in Colombo

PRESIDENT Ranasingha Premadasa of Sri Lanka yesterday urged the separatist Tamil Tigers to accept his invitation to peace talks.

The appeal came a few hours after the army had broken a 25-day siege of the northern army base at Elephant Pass, where 800 Sinhalese troops – including 43 injured, and 21 officers – had been trapped.

Breaking the siege was the biggest operation by the Sri Lankan armed forces in the eight-year separatist insurgency. More than 200 troops and nearly 500 guerrillas died.

Elephant Pass lies at the northern neck of the island. The garrison there commands a causeway which is the only link by road between the Jaffna peninsula (the Tamil "homeland") and the Sinhalese-dominated main part of the island.

The Tigers had attacked in a bid to seal off Jaffna by road and to proclaim 'eelam,' an independent Tamil state.

Mr Harold Herat, the foreign minister, discussed the crisis conflict last week with Mr Narasimha Rao, the Indian prime minister.

While India insists that the rights of the Tamil minority should be respected (it favours devolution and regional autonomy), it is ready to help crush the Tigers who find sanctuary in the south Indian state of Tamil Nadu.

Kuwait lifts curbs on currency transfers

KUWAIT'S central bank lifted all restrictions on currency withdrawals and transfers on Saturday. Depositors showed confidence in the economy by choosing not to dump dinars for dollars, Reuter reports from Kuwait.

Sheikh Salem Abdul-Aziz al-Saud al-Sabah, the central bank governor, said depositors and companies were free to withdraw or transfer abroad whatever amount they wanted.

"I am now witnessing clearer confidence in our banking system. Whoever wants to withdraw, let them withdraw. They are free to do so. We have gone back to our normal situation," Sheikh Salem said.

The central bank, fearing a massive capital flight, imposed a monthly ceiling of KD4,000 ($13,600) on all withdrawals and foreign currency transfers, following the liberation of the emirate from Iraqi occupation on February 28. It later eased the limit to KD6,000.

There had been widespread fears that clients would swamp the banks on Saturday. But bankers reported business as normal, saying they had been surprised by the absence of substantial demand for cash or foreign currency now that all restrictions had been lifted.

Clients said they felt safe with deposits in local banks that offered better interest rates than dollar accounts abroad.

Withdrawals were to meet immediate needs. Some of the banks raised interest rates by half a point to 9 per cent on Saturday to discourage transfers abroad.

"We get better interest rates on dinars than dollars. Besides, I always like to be near my money," said businessman Mahmoud Dalloul.

Before scrapping the restrictions, the central bank had made repeated appeals to clients not to dump dinars for dollars. Since the liberation, the bank has pumped about $1bn into the banking system to prop up the dinar. Sheikh Salem said money deposited in recent weeks had surpassed all expectations, enabling banks to cope with clients' needs. He put the total of deposits in the banking system at KD4.8bn.

AP-DJ reports from Bahrain: Combined assets of Bahrain's offshore banks fell 14 per cent during the first quarter of 1991, reaching the lowest level since the early 1980s, according to figures released yesterday by the Bahrain Monetary Agency, the island's de facto central bank.

Bankers said the drop reflected the continued effects of the Gulf crisis which had already severely eroded the assets of the offshore banking sector during the second half of last year.

Total assets of Bahrain's 52 offshore banks fell to $51.5bn at the end of March from $59.9bn at the end of 1990. Assets were down nearly 28 per cent from the $71.2bn recorded at the end of July 1990, a few days before Iraqi troops invaded Kuwait.

Peru seeks more financial help abroad

By Sally Bowen in Lima

MR CARLOS Boloña, Peru's economy minister, yesterday began a 10-day European tour in order to continue negotiations with the group of countries supporting Peruvian attempts to improve financial relations.

These have been disrupted since a default on foreign debt service in 1984.

The trip, postponed twice because of domestic problems over budget and tax reforms, is expected to take the minister to seven European countries, then to Canada and the US. Meetings have been confirmed with the economy ministers of Spain, France, Italy and the Netherlands.

President Alberto Fujimori had announced, in the annual presidential address to the nation last Sunday, that approval by the International Monetary Fund of Peru's economic programme was now secure.

Mr Michel Camdessus, the fund's executive director, had given his official backing, Mr Fujimori said, on the first anniversary of his assumption of office.

However, Peru still lacks more than $300m of the $1.3bn needed from abroad for balance of payments support this year and next.

Japan and the US have weighed in with $400m and $350m respectively, while Germany and Spain have pledged about $160m and $60m respectively.

Peruvian officials have been disheartened by the response from other countries, however. The economic stabilisation measures initiated by Mr Fujimori last August are widely seen in Peru as tougher than any programme that the IMF would itself have imposed.

Prices have risen by 80 per cent this year so far. Wages of public sector workers, including teachers and health workers, have been frozen since January at what is now the equivalent of about $45 a month.

Peru continues, however, to set aside some $60m a month to meet current payments to the multilateral lending organisations.

Mr Boloña said the purpose of his trip was to "confirm amounts already offered and try to increase them."

Travelling to Europe with him is Peru's principal debt negotiator, Mr Raimundo Morales. They are expected to make preliminary contacts with some of Peru's commercial banking creditors with a view to future debt reduction.

Of its total $22bn foreign debt, Peru owes $6.8bn to the Paris Club of sovereign creditors and $5.6bn to commercial banks, with substantial accumulated unpaid interest.

EC vehicle sales accord with Japan to include light trucks

By John Griffiths

THE agreement between the European Commission and Japan last week to limit Japanese vehicle sales in the EC embraces not only cars but also off-road vehicles, light commercial vehicles and light trucks up to 5 tonnes, including kits, according to a copy of the agreement obtained by the Financial Times.

The inclusion of vehicles other than cars in the deal lies behind EC Commission estimates of a 15.1m market in 1999, on which agreed "forecasts" of demand for Japanese imports to the EC in 1999 of 1.23m vehicles have been based. The 1.23m figure, which *is not a formal limit*, excludes vehicles from Japanese car plants within the EC, the so-called "transplants."

The agreement covers a seven-year transition period to clear the way for a completely open vehicle market in 1993. The agreement includes elaborate monitoring procedures and targets for individual national markets. However, it also leaves open the possibility that the "forecast demand" for Japanese imports could be adjusted in the course of meetings to monitor the agreement.

European Commission and Japanese officials will meet twice a year for consultations to monitor the agreement. They will consider rolling three-year forecasts for imports. Each autumn, the two sides will examine the export trend for that year, forecasts of exports for the following year, and the preliminary outlook for the level of exports for the year after that.

Each spring the teams will examine the actual export outturn for the previous year; the forecast level for the current year and adjustments to targets if necessary. Developments in EC vehicle markets including variations in demand and the EC's progress towards unified indirect taxes will also be reviewed at each meeting.

The agreement merely says the forecast level of Japanese exports for 1999 and the trend towards it will be adjusted "in an equitable manner", if the actual trend of demand and the 1999 forecast deviates from the original assumptions.

This system of twice yearly meetings was decided upon after the Japanese had rejected French proposals for a much more formal system to govern the agreement. The French proposed an automatic procedure so that Japanese exports would be cut to take up 75 per cent of any fall in demand, with European producers taking 25 per cent. *Under the* French plan the Japanese would have been allowed to raise their exports by only a third to take advantage of an increase in demand.

Instead of this formula to protect the European producers the agreement notes that "Japan bears in mind the EC's concern that the necessary adjustments of the EC manufacturers towards adequate levels on international competitiveness, would be affected if EC manufacturers cannot enjoy the adequate benefit of market growth or if they face improper decrease in the production level in a contracting market."

The EC and Japan are to notify the General Agreement on Tariffs and Trade (Gatt) of the agreement. The agreement notes that if necessary the two sides will "jointly defend the monitoring system in that forum, as a Gatt consistent measure by nature and as a significant measure related to EC market liberalisation."

Finally, the agreement commits the Commission to a declaration that EC competition law will not obstruct the operation of the agreement. For its part, Japan is to convey to its manufacturers the Commission's strong concern that specific national markets should *not be targeted as a result of* the agreement.

The progressive liberalisation of the EC market will be achieved by:

- Easing national restrictions of any kind, including those on registrations, by agreed amounts starting immediately, and abolition of such restrictions by January 1 1993;
- Accepting a transitional period, ending December 31, 1999, during which period Japan will monitor exports to the Community and to each currently restricted market, namely France, Italy, Spain, Portugal and the UK.

This to be accompanied by "no restrictions on Japanese investment or on the free circulation of its products in the Community." A common EC type approval for vehicles will be adopted by January 1 1993.

Monitoring by the EC is to be in accordance with a forecast level of Japanese exports to the EC, from all sources except "transplants" making vehicles inside the EC, of 1.23m in 1999. This is based on assumed total EC demand that year, including the unified Germany, of 15.1m units of the vehicles covered by the agreement.

Exports to countries where restrictions still apply will continue to be monitored until *they are abolished*.

The monitoring will be in accordance with forecast 1999 Japanese exports to these markets of 150,000 units to France, representing 5.26 per cent of a forecast French market of 2.85m; 138,000 to Italy (5.3 per cent of a 2.6m unit market); 79,000 to Spain (5.3 per cent of a 1.475m market); 23,000 to Portugal (8.36 per cent of a 275,000 market) and 190,000 to the UK (7.03 per cent of a 2.7m market).

The UK government projections that Japanese groups will be making 2m vehicles a year by 1999 are based on Nissan building 400,000 cars a year in the UK in 1999, Toyota 300,000 and Honda 200,000. To date, Nissan has formally committed itself to only 200,000 a year, Toyota to 200,000 and Honda 100,000.

The DTI attributes the 100,000 a year light commercial and utility vehicle production to General Motors' Vauxhall subsidiary's joint venture with Isuzu. This is building vans and the Frontera off-road vehicle which will be launched soon.

Other EC projects are two Nissan ventures in Spain projected for 100,000 light commercials and off-road vehicles a year; Toyota's planned light commercial vehicle plant in Germany (100,000 units); a 120,000 unit Mazda joint venture with Ford in Germany (120,000), Mitsubishi's joint car project with Volvo in Holland (200,000), 150,000 Suzuki cars and leisure/utility vehicles in Spain and 60,000 Daihatsu light commercials in Italy through links with Piaggio and Bertone.

Japanese 'transplant': work on a door frame at Nissan's assembly plant at Sunderland, Tyne and Wear

Germany plans white goods plant in Saxony

By Charles Leadbeater, Industrial Editor

THE German government has drawn up proposals for a large white goods plant on a greenfield site in Saxony, eastern Germany, as part of a plan to privatise the former East German white goods industry.

Under the plan an international white goods producer would build the modern plant to replace the two old eastern German plants which make *refrigerators, freezers and* washing machines.

Italian, Korean and Japanese white goods producers have expressed interest in the project.

The plan for a greenfield plant has been drawn up by the Treuhand, the state-owned trustee company which is responsible for restructuring and privatising the industrial assets of the former German Democratic Republic.

The Treuhand is seeking bids from industrial groups to take over and run the existing plants while the modern facility is being built. Its adviser *on the sale is Credit Suisse* First Boston, *the investment* bank.

The privatisation is part of a wave of sales which should transform the east European white goods industry. Electrolux, the Swedish based producer recently agreed to buy a Hungarian white goods producer and a similar sale is under way in Czechoslovakia.

The plan for the new plant is a recognition that the existing facilities are so uncompetitive they will eventually have to be closed down. The two plants both have complicated factories built in tightly constrained valley sites.

The management of the plants initially favoured a deal with a German company. However the Treuhand's appointment of CSFB is a recognition that a deal with a non-German white goods producer is a more realistic way to secure the industry's future.

The Treuhand will assess bidders on plans for maintaining employment as well as the scale of the financial investment. A successful bidder would be expected to maintain employment at the two old plants while the new one was being built.

CSFB, which is seeking outline bids by mid-September, believes international producers should be attracted by substantial fiscal incentives covering 63 per cent of the cost of the investment, the skills of the well trained workforce and the prospect of renewed expansion in the east European markets by the mid 1990s.

In the past year the east European market for the two plants, which have annual production capacity of 500,000 washing machines, 450,000 refrigerators and 500,000 freezers, *has dried up almost completely.*

Brussels gears up for end to import barriers

By David Buchan in Brussels

THE EUROPEAN MARKET

IN the run-up to 1992 and the single market, there are a dozen or so Eurocrats who are – in sharp contrast to their colleagues – working hard to do themselves out of a job.

They are the people who *decide on requests* by member governments to stop non-EC goods coming into their national markets from other EC states. Such national import restrictions offend the single Community market idea, because they interrupt the free circulation of goods. It is the official dogma of the European Commission that such restrictions must go by January 1 1993.

After that date, there are supposed to be no more customs posts between EC states, and therefore no systematic way of keeping tabs on intra-EC trade.

However, some governments – notably Spain, France, Italy – will mourn the passing of that comfortable feeling that, if some sensitive sector of their industry is hit by imports from outside the EC, they can get the Brussels blessing to throw up a temporary cordon.

But the Commission will only consider giving its approval – under Article 115 of the EC treaty – for a member state to interrupt the normal free flow of goods if the action is to prevent the undermining of a specific import quota which a member state has already established under the General Agreement on Tariffs and Trade.

With the EC's common commercial policy, it might seem odd that there are *any* national imports restrictions imposed by any of the Twelve against third-country goods. But EC countries were allowed to keep the Gatt-acceptable import restrictions they had before they joined the Community.

The most famous of these was the quota that Italy was allowed to impose in the 1950s on Japanese cars, in retaliation for the import limits that Tokyo, worried about competition from Europe, *had first* slapped on Italian cars.

Spain and Portugal also have Japanese car import quotas which they acquired before they entered the EC. By contrast, France *has* no legal recourse to Brussels and Article 115 in keeping Japanese car sales so low in France. Instead, it exploits the fact that there are differing technical *standards for cars in the Community* to keep the Japanese share of the French market to 3 per cent.

There are two other reasons for separate import regimes *inside the EC*. One is that EC states were allowed to maintain individual quotas on imports from eastern Europe and the Soviet Union, *as long* as the latter could be classified as "state-trading" and were outside Gatt. These quotas are now being phased out as part of the ambitious negotiations *to achieve total free trade with* eastern Europe by the end of this century. The other reason is the way the Multi-Fibre Agreement works. The MFA only establishes a general framework for a series of bilateral textile deals, which set import quotas for individual members or regions of the EC.

Textiles now account for more than half all "Article 115" cases. The plan is to roll the MFA over for 17 months, until by the end of 1992 world textile trade can be brought under renegotiated Gatt rules.

But what happens if Gatt's Uruguay Round drags on, and/or the MFA is extended, into 1993? Clearly the EC could then no longer base import restrictions on national controls.

There are two types *of national protection that the* Commission is willing to consider. The first is simple surveillance, whereby an EC government requires licences for the import of a certain non-EC good into its territory. This licensing, which *one* EC official calls "the antechamber of protection," used to be widespread.

In 1965 there were as many as 1,800 such surveillance measures, though the number of products affected was much smaller (because they are counted twice in the statistics when the same import comes from, say, two countries outside the EC).

By 1969, the number of specific surveillance measures was down to 522, and this year down further to 185. Of these, *182* concerned textiles, 52 industrial products and one agricultural product. In descending order, Spain, France, Ireland, Italy, Portugal and the UK most frequently resort to this procedure.

The fall is partly because of the pick-up in the European economy since the mid-1960s, and partly because Brussels is being more selective about *what licensing it will authorise*. Last year, for instance, it turned down a UK surveillance request on small television sets from China, on the grounds that the Chinese imports were *an insignificant part of British* total production, imports or sales of such sets.

Since 1987, when the Commission started getting serious about trying to phase out Article 115 protection altogether, there has been a fall-off in governments' requests to Brussels for permission to close their borders to non-EC goods circulating in the rest of the Community.

The Commission has also been rejecting a rising percentage of these requests, and stiffening the terms on which it is prepared to allow restrictions.

For example, the EC executive had been steadily enlarging the Italian market for Japanese cars. Italy's quota allows the import of only 2,800 passenger cars and 800 all-terrain vehicles a year directly from Japan.

But the Commission has used the Article 115 procedure to steadily increase the number *of Japanese cars* coming into Italy from other EC countries – from 10,000 in 1989, 17,000 last year and 22,000 this year. In addition, since 1987, Brussels has refused to let Italy put any block on indirect imports of Japanese jeeps.

Of course, this is far less than the 400,000 Japanese cars which Italian importers told Brussels they would like to ship in from the rest of the Community. Nonetheless, the effect of Brussels' action has been to give Japan a share of nearly 3 per cent of the Italian market, and so help Italy adjust – albeit against its will – to the rigours of free competition in the European car market that is supposed to arrive at the end of the century.

Whether the ending of national import quotas *will* actually lead to a more liberal import regime for the Community as a whole is open to doubt. That is certainly the aim of the negotiations on Japanese cars.

Yet the case of shoes points in the opposite direction.

Until last year, Italy and France had national quotas on shoes shipped directly from the *Far East*, underpinned by "Article 115" permission from Brussels to stop indirect imports via the rest of the Community.

The Commission succeeded in persuading these two EC states to drop their national restrictions, but only after getting Taiwan and South Korea to limit exports to the EC as a whole and after hitting Chi*nese shoes with a dumping* duty.

National requests to Brussels for import protection

	1986	1987	1988	1989	1990
Textiles	131	122	84	95	69
Industrial farm products	53	60	69	66	43
Total	184	182	153	161	112
Accepted by Commission	141	157	128	119	79
Rejected by Commission	43	25	25	42	33

Source: European Commission

Turkish Cypriot leader criticises US

TURKISH Cypriot leader Mr Rauf Denktash yesterday criticised a senior US official who declined to give priority in the peace talks to the Turkish Cypriot demand of political equality, AP reports from Cyprus.

The remarks that angered Mr Denktash came from Mr Nelson Ledsky, the US State Department Special Co-ordinator for Cyprus. Mr Ledsky said in Ankara on Friday that the Turkish Cypriot leadership's quest for political equality could be achieved only through a settlement and not before the start of the negotiations.

"We are not asking political equality from Ledsky. But, if he is carrying such a view. . . we must reconsider whether to recognise his co-ordinatorship post," said Mr Denktash.

He added that he would discuss the matter with Mr Ledsky in Cyprus today.

The breakaway Turkish Cypriot state and Turkey are extremely sensitive over political equality. Both sides already reiterated their earlier position about the matter after US President George Bush announced on Friday that Turkey and Greece had agreed to September talks in the US on reuniting the island.

They said there would be no change in their earlier stand for political equality of the two communities in Cyprus in a federal system.

A key issue, which resulted in the breakdown of the earlier peace talks between the two communities, was the refusal by the Greek Cypriots and Greek government to accept the demand by Turkey and the Turkish Cypriots that they recognise the Turkish Cypriot government.

Cyprus was divided into northern Turkish Cypriot and southern Greek Cypriot sectors in 1974 after Turkish troops invaded the island following an Athens-backed coup seeking union with Greece.

Turkish Cypriots declared independence in 1983, but their republic is recognised only by Turkey.

Mr Bush said in his announcement that Greek and Turkish leaders would work in support of the UN secretary general's efforts in advance of the meeting for adequate progress to narrow the differences.

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

UNITED STATES

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1984	95.3	98.3	7.4	96.2	98.4
1985	100.0	100.0	7.1	100.0	102.9
1986	105.7	101.0	6.9	98.0	108.0
1987	108.3	105.9	6.1	105.2	109.9
1988	112.2	111.6	5.4	106.3	114.5
1989	114.7	114.5	5.2	99.6	113.4
1990	114.2	115.7	5.4	84.5	109.2
3rd qtr.1990	−1.2	2.2	5.5	83.6	111.8
4th qtr.1990	−2.1	0.3	5.8	72.7	109.2
1st qtr.1991	−3.7	−2.3	6.4	64.5	110.9
2nd qtr.1991		−2.9			
July 1990	0.0	2.4	5.4	86.8	113.8
August	−1.8	2.1	5.6	83.7	112.9
September	−1.8	2.2	5.6	80.2	111.8
October	−1.2	2.0	5.6	76.4	110.1
November	−1.5	0.2	5.8	70.7	109.4
December	−3.5	−1.3	6.0	71.2	109.2
January 1991	−5.9	−0.8	6.1	68.3	109.4
February	−3.2	−2.6	6.4	64.3	110.1
March	−1.9	−3.6	6.8	63.1	110.9
April	−1.6	−3.0	6.5	62.7	111.4
May		−2.9	6.8	62.5	112.8
June		−2.9			

JAPAN

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1984	96.7	96.4	2.7	100.5	93.9
1985	100.0	100.0	2.6	100.0	96.5
1986	106.4	99.7	2.8	94.3	105.3
1987	113.5	103.1	2.8	108.3	115.3
1988	122.7	112.9	2.5	135.9	122.7
1989	132.7	119.9	2.3	147.0	126.1
1990	141.9	125.3	2.1	149.7	123.8
3rd qtr.1990	7.6	5.9	2.1	146.4	124.6
4th qtr.1990	2.8	8.9	2.1	153.2	123.8
1st qtr.1991	2.6	6.0	2.0	148.0	124.0
2nd qtr.1991		3.1			
July 1990	8.6	7.1	2.1	152.5	125.4
August	6.8	5.1	2.1	145.7	125.1
September	7.5	5.5	2.2	141.3	124.6
October	2.5	6.0	2.2	157.8	124.1
November	3.0	6.6	2.1	148.2	123.6
December	3.0	6.1	2.1	153.7	123.8
January 1991	3.3	7.7	2.0	153.3	123.8
February	2.7	6.9	2.0	148.5	124.0
March	1.9	3.5	2.1	142.8	124.0
April	2.1	3.8	2.1	152.6	123.8
May		4.3	2.1	148.5	123.9
June		1.3			

GERMANY

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1984	99.2	96.4	7.1	83.4	99.9
1985	100.0	100.0	7.2	100.0	104.0
1986	103.6	102.5	6.4	136.4	103.6
1987	107.4	102.8	6.2	149.4	104.6
1988	110.5	106.5	6.2	164.7	110.8
1989	113.6	111.6	5.6	218.9	113.8
1990	122.9	117.5	5.1	260.6	114.1
3rd qtr.1990	13.2	5.6	5.1	264.1	115.2
4th qtr.1990	8.5	5.1	4.7	258.1	114.1
1st qtr.1991	12.1	4.8	4.5	269.7	112.2
2nd qtr.1991		5.0		282.1	
July 1990	14.7	5.1	5.1	268.3	114.9
August	12.0	5.6	5.1	265.8	115.4
September	12.9	6.2	5.0	257.5	115.2
October	8.8	6.2	4.8	254.6	114.7
November	9.7	5.5	4.7	257.3	114.6
December	7.2	3.8	4.6	262.2	114.1
January 1991	14.6	5.9	4.5	268.0	113.0
February	10.3	4.0	4.5	267.2	112.8
March	11.4	4.6	4.4	273.8	112.2
April	8.5	6.7	4.4	278.6	111.9
May	8.1	3.0		281.3	111.7
June		5.4		286.2	

FRANCE

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1984	99.3	99.3	9.7	99.3	99.2
1985	100.0	100.0	10.2	100.0	101.4
1986	102.4	101.2	10.4	107.4	106.2
1987	104.5	103.1	10.5	118.0	107.3
1988	107.9	107.3	10.0	134.6	112.0
1989	109.6	111.2	9.4	159.3	111.5
1990	110.1	112.5	9.0	163.2	105.6
3rd qtr.1990	−0.5	2.3	9.0	162.6	106.8
4th qtr.1990	0.8	−0.3	9.0	148.9	105.6
1st qtr.1991	−0.5	0.6	9.2	130.3	105.4
2nd qtr.1991				127.5	107.6
July 1990	0.7	2.3	9.0	163.5	109.7
August	−1.2	2.3	8.9	164.5	108.4
September	−1.1	2.2	9.0	159.7	106.8
October	4.2	1.3	9.0	154.5	105.7
November	−2.5	−0.8	9.0	146.5	105.6
December	0.8	−1.6	9.0	140.0	105.8
January 1991	−0.3	1.4	9.1	134.4	105.4
February	−1.6	2.1	9.2	127.5	105.3
March	0.5	−1.7	9.3	129.3	105.4
April	0.4	0.1	9.4	126.5	105.9
May	−2.1	0.0	9.5	126.9	106.5
June				129.3	107.6

ITALY

	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator
1984	95.4	98.5	9.3	101.2
1985	100.0	100.0	9.6	103.7
1986	107.6	103.2	10.4	110.5
1987	113.4	108.6	10.9	112.7
1988	109.7	114.2	10.9	117.6
1989	117.4	118.7	10.9	115.9
1990		117.9	9.8	112.2
3rd qtr.1990		−1.2	9.8	114.6
4th qtr.1990		−4.2	9.8	112.2
1st qtr.1991		−1.6	10.0	113.2
2nd qtr.1991				
July 1990	−3.6	−1.3	n.a.	115.2
August	−4.5	−1.1	n.a.	114.6
September		−1.2	n.a.	114.6
October		−3.0	n.a.	114.3
November		−4.1	n.a.	113.6
December		−5.5	n.a.	112.2
January 1991		0.0	n.a.	112.1
February		−2.5	n.a.	112.2
March		−2.9	n.a.	113.2
April		−4.1	n.a.	113.6
May		−2.9	n.a.	113.7
June			n.a.	

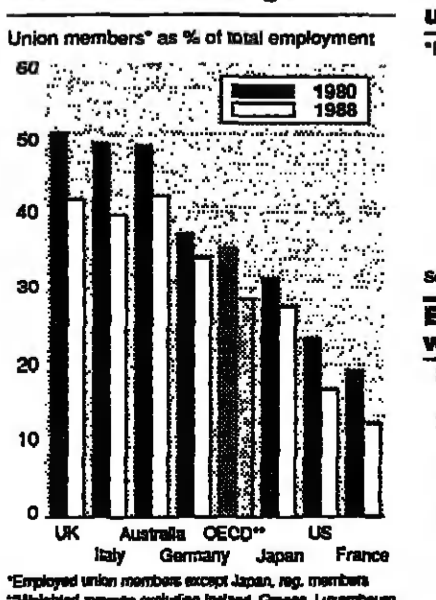
UNITED KINGDOM

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1984	95.6	94.8	11.7	93.7	100.7
1985	100.0	100.0	11.2	100.0	102.4
1986	105.2	102.4	11.2	116.1	105.3
1987	110.7	105.7	10.3	141.2	109.6
1988	117.7	109.5	8.5	144.3	108.4
1989	119.9	109.9	7.1	124.2	106.1
1990	120.4	109.2	6.9	97.9	102.5
3rd qtr.1990	0.6	−1.8	6.9	93.9	104.0
4th qtr.1990	−1.2	−3.4	7.3	78.3	102.5
1st qtr.1991	−0.7	−3.0	8.2	82.0	102.9
2nd qtr.1991	−2.0			63.9	
1990 July	2.5	−0.5	6.8	97.2	105.1
August	−0.4	−2.4	6.9	94.6	104.4
September	−0.1	−2.4	6.9	89.6	104.0
October	−0.9	−2.3	7.0	80.8	103.6
November	−1.4	−3.6	7.3	75.0	103.1
December	−1.2	−4.3	7.6	72.9	102.5
1991 January	−1.5	−3.7	7.8	81.5	101.9
February	−2.6	−2.0	8.1	83.3	102.2
March	1.9	−3.3	8.6	61.3	102.9
April	−2.1	−8.7	8.9	70.9	103.4
May	−3.2	−6.2	9.2	62.7	103.4
June	−0.7			58.1	

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. Retail sales volume: data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). Industrial production: data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). Unemployment rate: OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. Vacancy rate indicator: relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US – help wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available, UK – unfilled vacancies. Composite leading indicator: OECD data. Each is a combination of series, cyclical fluctuations which generally precede cyclical fluctuations in general economic activity.

Trade union coverage

Union members* as % of total employment



*Employed union members except Japan, reg. members
**Weighted average excluding Iceland, Greece, Luxembourg, Portugal, Spain, Turkey

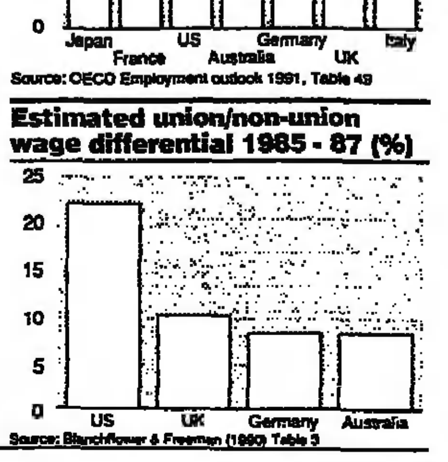
Source: OECD Employment outlook 1991, Table 4.1, 4.2

Ratio of Public*/Market sector union coverage - 1988

*Excludes nationalised industries and energy

Source: OECD Employment outlook 1991, Table 49

Estimated union/non-union wage differential 1985 - 87 (%)



Source: Blanchflower & Freeman (1990) Table 3

Trends in trade union membership in the 1980s

THE 1980s was a difficult decade for trade unions throughout the industrialised world. The average share of trade union membership among total employees across 18 OECD member countries fell from 35 per cent in 1980 to 28 per cent in 1988, according to the latest OECD Employment Outlook.

Cross-country comparisons of membership are notoriously difficult to interpret as the role of unions and meaning of trade union membership differ widely across countries. Still, union coverage has declined in all the world's major industrialised countries since 1980, as the left-hand chart shows.

The rise in unemployment is partly to blame for falling trade union support, the OECD says. Countries which experienced the sharpest rise in unemployment in the 1980s – the UK, Netherlands and Italy – have also suffered the largest percentage falls in membership.

In addition the share of total employment in traditional unionised industries, such as manufacturing and transport, has fallen in the 1980s, although the OECD argues that the effect of these changes on union coverage has been modest.

As a result the share of union members working in the public sector has risen from an OECD average of 29.6 per cent in 1970 to 38.1 per cent in 1988. Unions are generally stronger in the public than in the private sector, as the upper-right chart shows. The gap between public and private sector coverage rates is highest in those countries where overall membership is lowest – Japan, France and the US.

Changes in union membership over the past decade alone give a misleading picture of underlying changes in union fortunes. The falls in membership in the 1980s in the more highly unionised countries – UK, Australia and Italy – merely removed gains made in the previous decade. Overall, between 1970 and 1988 trade union coverage in the UK fell by just 3.3 percentage points and rose in both Italy and Australia.

In the US and France, by contrast, trade unions have been losing members for two consecutive decades. Union coverage in France has fallen by 10.3 percentage points and *by 13.6 points* in the US since 1970.

Cross-country differences in trade union coverage are greater than can be explained by structural differences in the industrial, occupational or gender composition of the workforce. The OECD says that institutional differences in wage-bargaining also matter.

In the US the evidence suggests that unions are weaker precisely because they have been so effective at raising the wages of their members. Mr David Blanchflower and Mr Richard Freeman have estimated how much higher the wages of union members are than of non-union members, after adjusting for differences in age, race and education.* They find that the union wage mark-up is more than twice as high in the US as in the UK, Germany or Australia, as the lower-right chart shows, with little difference in the non-wage effects of unions in the US and in other OECD countries.

Mr Blanchflower and Mr Freeman argue that the high union mark-up in the US gives employers a strong incentive to oppose unions. The mark-up also gives workers *an* incentive to join a union, though this is partly offset by a higher probability of unemployment as wage costs rise.

Unions face less employer hostility in those countries where unions bargain on *behalf of all employees, irrespective* of their union affiliation. In Germany, unions negotiate regional industry-wide wage increases which apply to all employees. In the US, unions bargain at plant level on behalf of their members only.

Of course, while *bargaining on behalf* of all employees reduces employers' incentives to oppose unions it may also reduce the need for individual employees to join and pay their dues. This may explain the plight of the French unions, even though *wage-bargaining* there *is* nearer to the German than US model.

Edward Balls

* *D.G. Blanchflower and R.B. Freeman: Going different ways: unionism in the US and other advanced OECD countries. National Bureau of Economic Research working paper No. 3342.*

Lib Dems win best viewing figures

By Ralph Atkins

TELEVISED party political broadcasts for the centrist Liberal Democrats have beaten those of Labour and the Conservatives in audience ratings.

Figures for party political broadcasts before the May local elections and afterwards show that larger sums spent making the five or 10-minute broadcasts by Labour and the Tories have not won more viewers.

Besides boosting Liberal Democrat morale, the figures highlight how programmes scheduled before and after party political broadcasts are as important, if not more so, than the broadcasts themselves.

Labour, in particular, has won critical acclaim for recent fast-moving and glitzy broadcasts.

Figures compiled by the Broadcasting Audience Research Bureau show the Liberal Democrats had an audience of 14m for a broadcast on the Monday before the May 2 local elections. The day after, a Tory broadcast reached 13m and a Labour broadcast on the eve of polling reached 11.5m.

Similarly, figures for a batch of party political broadcasts in May, June and July put the Liberal Democrats on 10.1m, Labour on 9.9m and the Conservatives on 8.5m.

Party political broadcasts are shown usually on three channels before the main evening news programmes.

Mr Shaun Woodward, the Conservatives' head of party communications, said: "The number of people who watch depends very heavily on the programmes preceding, and after, the party political broadcast. To an extent it is quite arbitrary. However, there is no doubt that if you make a bad broadcast, people switch off."

The Conservative party does not disclose how much it spends on making its broadcasts. However, it is unlikely to be less than Labour where latest figures suggest about £20,000 per broadcast was spent in 1989.

In contrast, the Liberal Democrats local election broadcast cost £7,500. Its broadcast in May cost £12,500.

● A party political broadcast by Dr David Owen, leader of the remaining three Social Democrat MPs, is to be shown even though their party was wound up last year. It will appear on September 12, the day Mr Paddy Ashdown, leader of the Liberal Democrats, speaks at the party's conference in Bournemouth.

Pay settlements in manufacturing fall sharply

By Diane Summers, Labour Staff

THE SHARPEST drop in manufacturing pay settlements for 10 years is revealed today in the latest pay survey by the Confederation of British Industry (CBI), the UK employers' organisation.

The downward shift in pay settlements, which is confirmed by other independent surveys, is evidence that the depth of the recession and the growth of unemployment is feeding through into slower wage inflation.

The fall in pay settlements will be welcome news to the government in the wake of last week's CBI Industrial Trends survey which said there was no evidence that the recession had bottomed out.

The CBI pay survey found manufacturing settlements had dropped from an average of 8.1 per cent in the first quarter of the year, to 6.5 per cent in the second quarter.

British pay settlements in the second quarter were below those in Germany at 6.6 per cent. Although the CBI says this is "a remarkable development", it acknowledges it may reflect Germany's economic difficulties rather than the flexibility of the UK labour market.

The employers' organistaion also pointed out that pay rises in France averaged 4.4 per cent in April.

Service sector settlements fell from 8.9 per cent in the second half of last year to a provisional 7.3 per cent in the first half of this year, according to the CBI figures.

The downward shift in pay is confirmed by a survey from Incomes Data Services, the pay research group. However IDS says the bulk of settlements is still higher than the annual rise in the retail prices index.

Almost one in seven employers in manufacturing industry froze pay for up to six months during the first quarter of the year, according to the CBI. About one in 10 employers in the service sector was said to have frozen pay.

The CBI also reports a slight improvement in manufacturing productivity growth, from 3.2 per cent growth figure at the end of 1990, to 3.4 per cent in the first quarter of this year and a provisional estimate of 4.2 per cent in the second quarter.

Evidence that pay costs are being controlled is welcomed, says the employers' organisation, although "unit labour cost growth must be brought down much further to be sure of winning orders and benefiting from the recovery when it comes".

● Late payment of debts is the biggest single difficulty for businesses in the recession, with small companies the worst payers, according to a survey by the Chamber of Commerce and Industry in Manchester, writes Ian Hamilton Fazey.

Two thirds of businesses said they were having increasing difficulty in collecting money. Some were in a vicious spiral of ever later payment, putting off their own creditors until they had money coming in.

In a league table of problems, high interest rates ranked second equal alongside tougher competition, but only 15 per cent of the 400 businesses in the sample listed either.

For 42 per cent, the impact of late payment on cashflow was the worst difficulty they faced. Bad debts from liquidations were troublesome for 9 per cent, but only 5 per cent said they were having trouble with their banks.

Seeds of the squeeze sown in fertile ground

James Buxton on an area where recovery is only on the surface

FALKIRK lies roughly midway between Glasgow and Edinburgh an area sometimes called the Scottish Midlands. Like its name, Falkirk's recent economic performance has been middling.

While Mr Terry Lawson of the region's chamber of commerce admits that the area is "fertile ground for recession," it is debatable whether the full-blown recession has arrived in Falkirk. The people pouring along the town centre's attractive pedestrian streets on a Saturday afternoon do not seem short of spending power.

But the notion that recession has somehow been halted at the Antonine Wall, the ramparts at the top of the town which was the Roman's advance position north of Hadrian's Wall, is misleading.

Falkirk, as with many places in Scotland, never enjoyed the excesses of the post-1986 economic surge. Unemployment in the Falkirk travel-to-work area fell steadily from about 16 per cent in 1986 to 10 per cent cent last year. Now it is up to 10.7 per cent – hardly a big increase, but still higher than the Scottish national figure of 9 per cent.

The Carron ironworks and foundries closed in 1982 and the town centre deteriorated so much that the shoppers had to go to Stirling.

The turning point came after 1986 when businessmen and local politicians combined to form Think Falkirk, a partnership to revive the town. The chairman was Mr Bill Hughes, who lives in Falkirk. He is chairman of Grampian Holdings, the mini-conglomerate, and a former chairman of the Confederation of British Industry in Scotland.

Faced with the apparently inevitable decline of manufacturing, Falkirk decided to revive its retailing and improve the look of the town.

The Labour-led council pedestrianised the town centre, built roads and installed ample car parking, and set up a public/private partnership to manage the area. The Howgate shopping centre opened and within a short time tens of millions of pounds worth of retail spending had been won back from Stirling.

Yet recovery went only so far. Mr Lawson says: "There are not enough self-sustaining businesses.

"There are too many subcontractors and companies with their headquarters elsewhere."

Christmas retail spending in 1989 rose 36 per cent, but last year was only narrowly above inflation at 10 per cent. Painted panels in the Howgate centre disguise the fact that part of it is still unlet.

Worst of all, a big shopping development at the other end of the town centre, the Callendar complex, has been left half-finished since the developers Rush & Tompkins went into receivership in 1990.

Residential property is still selling, "though you may have to wait six to eight weeks for a sale, compared with two weeks a year ago when property was still booming here," says Mr Tom Anderson of GA Property. "Prices are not going down, but the rate of increase is very slow."

Mr Dennis Canavan, Labour MP for Falkirk West, argues that Falkirk has been "very badly hit by recession".

The unemployment figures are fiddled, he says. "Deep down there's a lot of misery and deprivation."

Mr Bill Ewing, district council development officer, points out that the only sizeable new "industry" in Falkirk in the past 15 years has been an Asda distribution centre, although he says there is only a 3 per cent vacancy rate at the 200 small factories the council rents out.

Behind the 19th century façade of the Carron ironworks, now likely to be demolished, Carron Phoenix, maker of kitchen sinks and acquired last year from its management buy-out team by the private Swiss company Franke, is expanding.

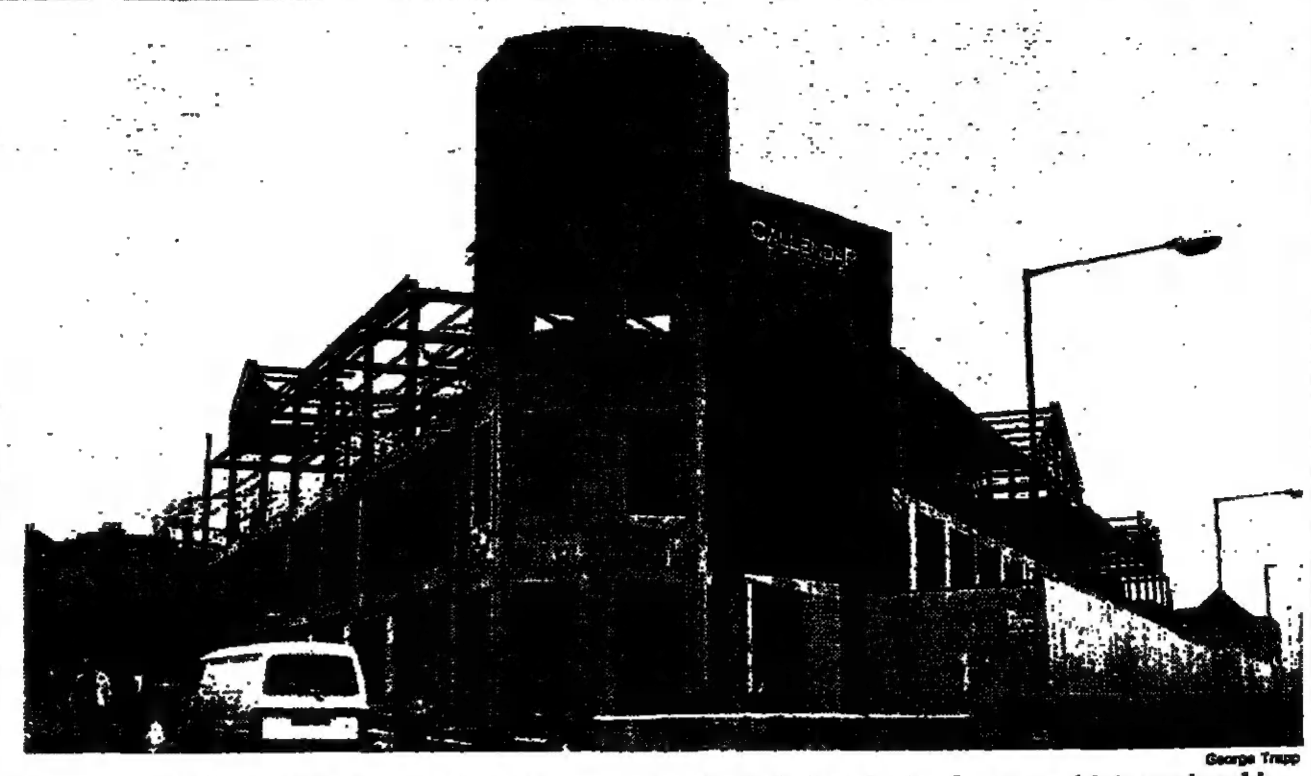
But the town's biggest industrial employer, Walter Alexander, is going through difficult times. It makes buses, for which the UK market has collapsed because of the recession.

Employment has fallen from 763 in April 1990 to 525, of which nearly 400 are on a three or four-day week.

"There is no sign of an improvement in the UK, but we're chasing export orders," says Mr Ian Galloway, chief executive. "It's a long hard battle to survive."

At the council Mr Ewing lists the town's new strengths: good communications leafy suburbs now getting executive housing and a new office park nearing completion east of the town, with the Inland Revenue set to take space. In the scramble for investment, however, established places such as Falkirk are up against new towns like Cumbernauld and Livingston.

Mr Ewing says: "People don't realise what we've got here."



George Tripp

Empty hopes: Falkirk's Callendar shopping centre remains unfinished since the developers went into receivership

No sign of recovery in construction industry

By Robert Rice

THERE ARE no signs of recovery in the construction industry and job losses during the current recession will reach 250,000 by the middle of next year, according to the Building Employers Confederation (BEC).

The BEC State of Trade Enquiry for the second quarter of 1991 showed that the housing market in particular had remained "stubbornly resistant" to the six half point cuts in interest rates and consequent reductions in mortgage rates this year.

Nearly three-fifths of contractors reported a fall in output in the second quarter compared with the first quarter.

Falls in the level of repair and maintenance and commercial output over the past year, and the recent decline in the growth of industrial construction show no signs of slowing, the BEC said.

Declining workloads have meant that only one in 10 companies is operating at full or almost full capacity.

Mr John Smith, BEC chairman, said the industry, which employs about 1.6m workers, was "right at the bottom of a recessionary trough". He called on the government to make an immediate further one percentage point cut in base rates to restore growth and confidence.

"There is no sign of any recovery in the next 12 months, or even further ahead. It is going to be a long time before employment picks up," Mr Smith warned.

Mr Smith said among the problems facing builders were:

● 40,000 unsold new homes.

● 150,000 job losses in the year ending in June — and at least another 100,000 expected by next summer.

● Scores of empty offices remaining empty, particularly in the south-east, because of overbuilding in the "madness" years of the mid-1980s.

Department of Environment statistics showed that construction output in the first quarter of this year was 8 per cent lower than the same quarter last year. The BEC said there was little prospect that the decline in output which had now fallen for four successive quarters would abate over the coming year.

New orders for construction were falling at an annual rate of 18 per cent in the first five months of 1991.

Labour move on rail link

A LABOUR government would seek private investment to cover up to three quarters of the cost of the Channel tunnel rail link, Mr John Prescott, the party's transport spokesman, indicated yesterday, Ralph Atkins writes.

On TV-am Mr Prescott reiterated his commitment to a public and private investment partnership in rail transport.

Labour previously favoured a 50/50 balance for the link.

Reform urged for Next Steps agencies

By Andrew Adonis

THE quasi-autonomous Next Steps agencies set up to manage the service-providing role of Whitehall departments are flawed and urgently need reform, according to a report published today.

The report, by the leftwing Institute for Public Policy Research, is highly critical of the *ad hoc* nature of the agencies. It argues that they are too constrained by the Treasury, and not properly accountable to parliament and proposes they be put on a statutory footing.

The Next Steps initiative was launched in 1988 by Mrs Margaret Thatcher, the then prime minister, to improve Civil Service efficiency. There are 48 Next Steps agencies, employing more than a third (220,000) of civil servants. Another 24 are in prospect, which will take the total to more than a half.

The agencies range from the forensic science service (580 civil servants) to the social security benefits (68,000).

The report's authors, Ms Anne Davies and Mr John Willman, who is now public policy editor of the Financial Times, say that the essential aim of the Next Steps programme – greater efficiency, responsiveness and flexibility in the delivery of public services – is worthwhile. However, they add: "If the government intends to break up the unified Civil Service it must state its case unequivocally and fully address the implications".

The report recommends:

● Legislation to specify the agencies' remits and to set out public redress procedures and rights to information.

● Greater powers for parliamentary select committees and the National Audits Office to monitor agencies.

● A redefinition of the role of civil servants to reflect increased managerial responsibility.

● Greater freedom from Treasury control. "Once the Treasury and departments have set policies and fixed budgets, agencies should be allowed to get on with it."

● Establishment of an Office of Executive Agencies to promote improvement in public sector management.

The report calls for "a degree of self-denial on the part of ministers, departments and the Treasury so that agencies have an opportunity to prove themselves."

What Next: Agencies, Departments and the Civil Service, IPPR, 30 Southampton Street, London WC2E 7RA, £10.

Influence of 'greens' criticised

INDUSTRY believes "green" campaigners are having too much influence in drawing up tough new EC environmental regulations, according to a survey of the top 1,000 British companies, John Hunt writes.

Nearly half (49 per cent) of the companies said that forthcoming EC legislation in this area was biased too much towards the environmentalists' viewpoint. None thought that new UK legislation was biased in this way.

However, local authorities take a very different view. They have the job of policing many of the environmental regulations governing industry and the survey found that none of them thought UK or EC legislation was too heavily influenced by environmentalists. In fact 44 per cent felt British legislation was biased towards industry and 11.4 per cent that EC legislation was similarly biased.

The survey was conducted by Decision Makers, the political consultancy specialising in environmental legislation, and CH2M Hill, the engineering consultancy. It says the use of environmental audits is growing, with 49 per cent of companies carrying them out regularly.

Midlands revival plan faces delay

By Paul Cheeseright, Midlands Correspondent

BLACK Country Development Corporation (BCDC), the statutory body set up in 1987 to regenerate 10 square miles of rundown urban and industrial districts in the west Midlands, is unlikely to complete its task within the 10-year target period, its chairman warns.

Sir William Francis makes his warning in the BCDC annual report, published today. But his statement comes against the background of changes in government policy towards urban revival which clouds the financial future of the development corporations.

The Thatcher government set up a series of urban development corporations in decayed areas of England and Wales, endowing them with funds and fast track planning powers. BCDC so far has received around £100m of funding and expects to receive a further £101m by the end of fiscal 1993-1994.

Nearly half of the BCDC area was derelict or affected by landfill and landfill gas, awaiting reclamation.

"The higher standards of treatment now recommended by the government will involve the corporation in much greater expenditure in dealing with reclamation and landfill issues," Sir William says.

BCDC will not state how much more expenditure is involved, but the extra demands of this coincide with the need to finance a £25m share of the costs of a new road to open up the Black Country. Delays in starting construction are a factor behind Sir William's warning that BCDC is unlikely to finish its work by 1997.

Although BCDC's government funding is secure until April 1994, after that it will have to justify spending plans on a project-by-project basis. But the government has introduced competition among authorities seeking funds from a limited national urban development budget. And the urban development corporations have all been put on alert to prepare for their own demise.

Sir William faces a difficult task in negotiating an increased budget with the Department of Environment to meet its target £1.2bn of private investment, 15m sq ft of new industrial and commercial floorspace, 30,000 new jobs and 4,000 new homes.

Ambulance service seeks a single-union agreement

By Lisa Wood

NORTHUMBRIA Ambulance Service, a self-governing health service trust, is seeking a single-union agreement with its 700 staff.

It is thought that the deal would be the first by either an ambulance self-governing trust or a hospital trust. The Nupe public service union, which is the largest union at the Northumbria trust, said it was "very unhappy" with the idea, and that there was "no reason to de-recognise any of the unions".

Under the rules laid down by the government for transfers to self-governing trusts, they are obliged to recognise existing trade union agreements. These can cover a number of areas, including grievance procedures, but exclude pay and conditions which in the past have been covered by national agreements.

Northumbria Ambulance Service has had agreements with seven unions, including Nupe and Cohse, and the Nalgo local government union. Earlier this year 91 per cent of the service's staff voted to move to new trust terms and conditions and to retain union membership.

EMPLOYMENT

Mr Laurie Caple, chief executive of Northumbria, said staff were being consulted on whether they wanted a single union or a staff association to represent them. He said he was seeking a single-organisation agreement because the current arrangements created inequality between staff groups.

He said: "We would probably look for standard percentage increases, linked with individual or group performance-related bonus systems." He added that he would like to see a single organisation in place by the end of September, with pay bargaining for 1992 to start in December.

Northumbria is one of four self-governing trusts in the ambulance service, and it has been the most radical in breaking away from national agreements. Earlier this year its emergency crews accepted a pay rise of 21 per cent, conditional on crews working 12-hour shifts and forgoing routine overtime pay.

New management for care scheme

By Diane Summers, Labour Staff

MANAGEMENT of one of the UK's largest training programmes, covering 1m care workers, is reported to have been taken over by the Department of Employment.

The programme, for care workers in the health service, voluntary sector and local government, had been postponed by the Department of Health.

It involves the integration of qualifications for non-professional staff across the sectors, which was due to have been completed by 1992 but was put back by two years in June. This latest development makes it likely that the programme will, after all, be completed by next January.

The Department of Health delay had been seen by unions as a threat to implementation of the government's community care reforms in 1993. Under the reforms, management of some National Health Service care of elderly and handicapped people is to be taken over by local authorities.

The programme's aim is to make qualifications fully transferable across sectors.

Mr Gareth Gimblett, leader of Berkshire county council and chairman of the consortium that has been co-ordinating development of the training scheme, says in the latest issue of the journal Personnel Today: "The Department of Employment is anxious to get the project completed because it is a vital part of its strategy for completing the National Vocational Qualifications framework by the end of 1992."

Labour attacks Clarke decision

THE refusal of Mr Kenneth Clarke, education secretary, to publish the public responses to the government's white paper on education and training drew sharp criticism yesterday from Mr Jack Straw, Labour's education spokesman.

Mr Straw said in a letter to Mr Clarke: "The legislative process is not personal to you. Parliament has a role too. It makes all the claims about openness of government which we heard during the Citizen's Charter sound very hollow."

London cash call

THE £2bn paid out by London to the rest of England and Wales through the business rate should be channelled into reviving the capital's infrastructure, according to the Association of London Authorities, which represents most of the capital's Labour-led boroughs.

FT SATELLITE MONITOR

Increase of 80% on year seen in dish sales

By Alice Rawsthorn

ONE in every 10 Britons now lives in a home with multi-channel satellite television, according to the latest research from the FT Satellite Monitor.

The Satellite Monitor, which is compiled monthly for the FT by Continental Research, estimates that there were 55,000 dish installations in the UK last month. This means that by the end of July nearly 1.7m homes had access to satellite television.

Dish installations have grown steadily in the past year. The number of homes with satellite television has increased by 80 per cent since July last year when fewer than 1m households had installed dish equipment.

Continental Research estimates that the current market potential for satellite television is 3.6m homes, or 16.4 per cent of all households.

Its research, conducted among a nationally representative sample of 5,517 interviews with people over the age of 15, suggests that, while 7.6 per cent of all homes have installed a satellite dish, another 8.3 per cent will "probably do so".

However, the number of homes "definitely" planning to install a dish fell from 494,000 in June to 110,000 in July. Continental Research attributes this fall to the recession and also to the end of a special offer selling Amstrad satellite reception equipment for £199.

Official figures for training costs attacked

By Lisa Wood, Labour Staff

BRITISH employers' investment in training may be only half to two thirds the level quoted in official government estimates, according to research published today in the Human Resource Management Journal.

Claims by the government and the Confederation of British Industry that employers now spend about £20bn a year on training are based on a 1989 study for the Department of Employment.

Research published in the journal by Mr Paul Ryan, lecturer in the faculty of economics and politics at Cambridge University, suggests that the 1989 study does not provide authoritative evidence of such spending levels.

The study estimated that employers spent £18bn on training in 1986-87. Mr Ryan argues that even where the most severe corrections were made for all flaws in the study, employer costs in 1986-87 were about £8bn, implying at least £10bn for the whole economy.

Mr Ryan writes in the journal that the 1989 study went astray concerning on-the-job training. Estimates of duration and costs of such training were highly unreliable and in all probability had a significant upward bias.

He said this was because the study adopted an unorthodox definition of training and a hybrid definition of costs.

Nevertheless, Mr Ryan said the 1989 study still provided the most comprehensive and reliable statistics to date on employer investment in off-the-job training, although he said these estimates might be biased upward to some extent.

He said: "British employers appear to be spending at least 3 per cent of national income on training. It is, therefore, possible to hold both that employers spend a significant amount on training and that there is scope for them to do more."

HRMJ, available on subscription from IRS, 18-20 Highbury Place, London N5 1QP.

THE BCCI SHUTDOWN

Gleaming building that reflects Pakistani anger

Christina Lamb on the mood among Muslims who see BCCI's closure as a Western Zionist conspiracy

THE GLEAMING blue glass and white marble BCCI building which houses the troubled bank's Pakistan headquarters would not be out of place on a New York plaza.

In dusty downtown Karachi it stands out like something alien amidst crumbling Victorian Gothic buildings on a road choked with ancient taxis, rickshaws and occasional camels.

On the polished steps the claw-like hand of a beggar women clutches at the shirt-tails of passing customers and a small crowd gathers round a crazed Sindhi nomad waving his stick and muttering curses.

"This" says Mr Sultan Ali, one of BCCI's clients, gesturing at the impressive edifice, "is the problem. The West couldn't tolerate us poor Muslims having something as great as this, just as they can't stand the idea of us having a nuclear bomb. They wouldn't have closed BCCI if it was a Western bank."

Mr Ali's view reflects a growing consensus in Pakistan. Politicians, intellectuals, taxi drivers, businessmen and shopkeepers all see BCCI's closure as a direct attack on the Third World in general and Pakistan in particular by a First World which couldn't stomach the idea of an alien institution bidding for a place in the premier financial league.

BCCI was founded by a Pakistani and run by Pakistanis and is thus regarded locally as a Pakistani bank. What the western world sees as irregularities in giving loans without collateral, payments to politicians and the *employment of* many relatives of directors, is seen in Pakistan as normal practice.

Pakistanis, not unlike Gulf Arabs, tend to be wary of large, impersonal institutions. They are used to being greeted by their banker with a cup of tea and enquiries about their family.

This vast cultural gap explains, in part, the growing rift in perceptions in Pakistan and Britain over the root of the problem at BCCI.

Aga Hassan Abedi, BCCI's founder, is regarded locally as a hero who gave Pakistanis something *to work towards and brought the country exposure* to international banking.

More than 12,000 Pakistanis had jobs with BCCI while thousands of poor Pakistanis benefited from Mr Abedi's charity work through the BCCI Foun*dation into which*, until last year, almost 90 per cent of the profits of the Pakistani operation was ploughed.

The Bank of England's action in closing BCCI, followed by a flood of allegations about its illegal practices has brought to the fore all the anti-Western sentiment that in Pakistan is never far from the surface.

Academics say anti-western feeling in the country has never been so high and are calling the BCCI closure, "a second Rushdie affair" referring to the bitter controversy over Mr Salman Rushdie's novel The Satanic Verses, which began in *Pakistan*.

Professor Manzoor Ahmed at Karachi University describes the situation as "alarming". He says: "If nothing is done to counter the perception that the West is not favourably inclined towards Muslims then the rift between the West and the Islamic world, even the First and Third World will strengthen."

The Pakistani media, particularly the widely-read Urdu press, is full of reports that the Bank of England's action was part of a Western Zionist conspiracy against the Islamic world. Some draw parallels with action taken against Saddam Hussein, *claiming* "first Iraq now Pakistan".

In the tea-houses and lunch clubs of Karachi the talk is of "Western prejudice". Mr Tariq Shafi, director of the Crescent Group, one of Pakistan's largest *businesses, complained* bitterly of being detained at Los Angeles airport recently when he was accused of travelling on a forged visa.

Mr Shafi and his colleagues speak of what they call "the *new world order*" in which they say one of the commandments is "thou *shalt* not create a Muslim bank". One businessman protests: "they have made sure no Muslim can run a bank now because of the BCCI stigma that would surround it".

Until recently the world's third-largest recipient of US aid, Pakistan now finds it easy to blame the country for any*thing. The army chief is focus*ing on forming a strategic alliance with Iran and Afghanistan and an inquiry has been reopened into the death of President Zia in a mysterious air crash in 1988 *after falling* out with his American backers. Many Pakistanis hold the CIA responsible.

Mr Iftikhar Amed, who runs a cotton ginning plant in Multan, says: "The CIA used BCCI as long as it was useful and now *like Zia it* has outlived its usefulness. They feel we are here to be used and not to create our own things."

Mr Jam Sadiq Ali, Sindh province chief minister, who admits receiving money from Mr Abedi when he was in exile in London, recently spoke out publicly against "a Western Zionist conspiracy" – and received poems, phone calls and more than 300 telegrams in *support*.

Meanwhile inside the BCCI building a line of journalists waits to interview Mr Basir Ahmad, the Pakistan manager, about an alleged "black network" reported by Time magazine as operating from Karachi.

For the tenth time this week he explains patiently: "We were just banking. If there were irregularities all banks commit them . . . $200bn in drug money is laundered each year why not close all those banks involved, why pick on us?"

PRICE WATERHOUSE

Report will aid criminal inquiries

By David Lascelles, Banking Editor

THE *DISCLOSURE* last week of the details of the Price Waterhouse report into BCCI's fraud is likely to help the many criminal and other inquiries into the scandal. It will also reduce any chance that the provisional liquidators will be able to rescue the business.

In the weeks ahead, three US congressional committees will hold public hearings. The Senate foreign relations committee expects to hear from *Mr* Masihur Rahman, BCCI's finance director, who has so far been silenced by a UK court injunction obtained by BCCI before it was shut down last month.

In the UK, *the Bingham* inquiry will begin in private. The UK's Serious Fraud Office will also be under pressure to make charges, following indictments filed last week in the US.

As well as detailing the many frauds in which BCCI was engaged, the PW report sharpens questions about the handling of the affair by the auditors and regulators, and about the extent of involvement in the fraud of Abu Dhabi, the leading shareholder.

The report shows that BCCI was engaged in at least five big frauds:

- The fundamental fraud *over its own capital resources*. The bank gave money to accomplices to buy its own shares and those of important subsidiaries, such as ICIC, the Cayman Islands finance operation, to create the impression that *it* was strongly capitalised.
- The creation of fictitious assets. BCCI accomplices supplied the auditors with confirmation that they had been given loans. These sums, according to PW, run into "several billions of dollars".
- Use of unrecorded deposits. *BCCI took in money from* unsuspecting depositors to plug losses rather than record on its balance sheet. This Ponzi scheme drew in $600m.
- Treasury fraud. The treasury department used a wide range of frauds and accounting tricks to conceal losses over many years and create artificial profits. Altogether, $1.3bn of questionable transactions passed through the treasury, PW estimates.
- The use of nominees to make the illegal acquisition of Financial General, the US banking group. This involved fake loans of $1.45bn plus fake interest and charges of $573m.

The unprecedented extent of the fraud presents the liquidators with a gargantuan task as they explore ways of reviving the bank with the help of Abu Dhabi, whose ruler and government own about 77 per cent of the shares. This has been made harder by the report's strong suggestion that Abu Dhabi knew about the fraud.

If this is proved, any revival prospect would be doomed as no banking supervisor in a leading western nation would grant a *licence* to a successor bank which had Abu Dhabi backing – and without such backing BCCI *cannot* be rescued.

One big question still to be answered is just when Abu *Dhabi learnt* of the fraud, and who within the emirate establishment knew about it. In a particularly pointed passage, the PW report says: "The relationship between Abedi and latterly Naqvi [founder and chief *executive* of *BCCI* respectively] with the major shareholders, being the ruling family of Abu Dhabi, goes back a substantial number of years and has been a very close one." The report suggests that *Abu Dhabi knew of the fraud* in April 1990, and still agreed to take bad loans off the bank and recapitalise it.

Another big question is over when BCCI's supervisors and auditors began to suspect *fraud. Although two other PW* reports on BCCI in April and October last year make no reference to fraud as such, this omission looks ingenuous in light of the highly questionable and manipulative practices described in them.

POLITICS

Labour steps up attack on Major

By Ralph Atkins

LABOUR yesterday intensified its attack on the government's handling of the BCCI affair, accusing Mr John Major, the prime minister, of going back on his promise to MPs of an "open" inquiry.

Mr Roy Hattersley, deputy Labour leader, said there were "still the most serious facts" to be revealed about BCCI – in particular about the role of British security services.

"The prime minister said in the House of Commons that it would be an open inquiry and it is clearly not going to be," he said.

Lord Justice Bingham: Labour alarm over his role

Speaking on BBC Radio, Mr Hattersley said questions had still to be answered about what intelligence officers told ministers about BCCI.

If the security services had kept the information to themselves, "then it is the best argument *I know for* having our security services answerable to parliament in the way that they are in other democracies", Mr Hattersley said.

Labour has protested at the decision to hold the inquiry in *private – although the* conclusions will be published. It is also alarmed that Lord Justice Bingham will be working on behalf of the Treasury and the Bank of England.

Mr Chris Patten, chairman of the Conservative party, replied that all information would be made available to the inquiry, and that ministers would answer questions put to them.

"I don't think that anyone has it in their own interests to *try to cover up* what has happened. It is in everyone's interest to be as open as possible about what has happened," Mr Patten said.

Speaking later yesterday in Newbury, Mr Hattersley said it *remained* unclear what early warnings the government had received, or whether "the bank was allowed *to* slide to slow collapse rather than risk causing offence to a friendly government".

He added: "Our charges are direct. The prime minister acted with ineffectual complacency. *That is* why he evades the questions."

VIPs quake over arrival of Sheikh Zayed

Richard Tomkins finds a strange exodus from Abu Dhabi on the eve of the ruler's anniversary

A CURIOUS imbalance between arrivals and departures was evident at Abu Dhabi airport yesterday.

On the arrivals side, Sheikh Zayed bin Sultan al-Nahyan, Abu Dhabi's ruler, returned to the emirate after a four-week private visit to Europe and Morocco. The departures lounge, meanwhile, was wit*nessing the tail-end of* an exodus as the last few ministers, government officials and courtiers disappeared, pleading illness or long-planned summer holidays.

"Nobody wants to be around when the old chap gets back," a local explains. "The betting is that he's going to be pretty angry."

Understandably so: for as the festivities begin for the 25th anniversary of Sheikh Zayed's accession tomorrow he is returning to find the celebrations marred by scandal over Abu Dhabi's alleged involvement in the BCCI affair.

In the US, two of his 19 sons and two advisers were implicated last Monday when an indictment alleged that they had been used as nominees to *disguise BCCI's secret build-up* of shares in three US banks during the 1980s.

Then on Friday, the publication of the Price Waterhouse report in the Financial Times on the banking scandal further *implicated the Abu Dhabi gov*ernment by claiming that its representatives knew of the massive fraud at BCCI long before it was reported to the banking authorities earlier this year.

Scandal is not unprecedented at the court of Sheikh Zayed. In 1982, an investigation into the disappearance of nearly $100m from the royal coffers was allegedly traced to *unauthorised transactions on* the commodities markets by Mr Abdullah Darwaish, then head of the sheikh's department of personal affairs.

Coincidentally, Mr Darwaish is one of the two Abu Dhabi *advisers named* in last week's US indictment – which had nothing to do with the embezzlement scandal.

Mr Darwaish's career in Abu Dhabi was blighted by the commodities scandal. He was quietly removed from his post as head of the ruler's department and now lives well outside the royal circle.

The difference between that episode and the current one is not just a matter of scale. As one prominent businessman remarks: "We are used to solving our problems in our own way, internally. But this has taken on an international dimension, and once you start playing an international game, the rules are different."

For Sheikh Zayed, believed to be aged 76, having the reputation of his family, his government and his country sullied by international scandal and the threat of investigation by overseas authorities must be almost too much to bear.

As western expatriates *remark, face is everything in* the Middle East – and nowhere more so than in the case of the proud Arabs of the Gulf.

In Abu Dhabi, this is advanced as a hypothesis to *explain an apparent contradic*tion in the Price Waterhouse report's central *proposition*. For if the Abu Dhabi government was, as is claimed, aware of the BCCI fraud from the outset, why did it take its stake in the bank to 77 per cent and persist with the reconstruction?

A simple answer would be that that there was already too much to lose through the bank's failure. A collapse of BCCI would bring not only the loss of Abu Dhabi's equity *stake but also the write-off of* government and ruling family *deposits worldwide, including* $1.4bn (£835.7m) in local BCCI branches alone.

But more pertinent, perhaps, was the question of face. As one expatriate businessman remarks: "That is the way of *solving problems here*: throwing money at them. It would have made more sense to try to paper over the cracks than suffer the indignity of being associated with public failure."

This, however, throws up *another contradiction*. One universal point of agreement in Abu Dhabi is that Sheikh Zayed's integrity is unimpeachable: that there is no circumstance in which he would knowingly have allowed himself to be linked with fraudulent activity, even to protect his *own* reputation.

In a small country which has only been self-governing for 20 years, Sheikh Zayed does not have a large pool of experience from which to draw: and some appointments are made less on the basis of talent than on the need to assuage the pride of important families.

The inference being drawn by some in Abu Dhabi is that BCCI's *clever* Pakistani founder and chief executive charmed the presidential advisers. "By the time they realised what a *dangerous game* they were in, it was too late," says one expatriate. "After all, would you be the one to go and tell the sheikh you'd landed him in the middle of the world's biggest ever banking fraud?"

Tony Andrews

Celebrations: Sheikh Zayed returned for festivities to mark the 25th anniversary of his accession

ACCOUNTING PRACTICE

Difficulties of auditing highlighted by the affair

By Richard Waters

AUDITING banks *is* different. Just how different is clear from papers obtained by the Financial Times concerning the events leading to the closure of BCCI. Depositors, employees and other creditors, it seems, can expect little help from bank auditors.

The theory that auditing banks is not like auditing other companies is well-known to accountants, if not to most bank customers. For an auditor to express reservations and qualify the accounts of a bank, the theory goes, would lead to a panic withdrawal of cash by depositors – bringing down the bank and harming the bulk of depositors who could not get their money out in time.

That explains why auditors don't qualify banks' accounts, however concerned they may be. But it doesn't help customers when an auditor fails to make public his fears – and the bank collapses anyway.

This interpretation of bank auditing was tested to its limit during April 1990. In a letter to BCCI's directors on April 18 1990, Price Waterhouse, BCCI's auditors, said they had uncovered huge bad loans at the bank, and transactions through which the bank's own money had been channelled through nominees before being used to buy its own shares.

The auditors also said they had not been given important information, including confirmation of some substantial loans, financial information on a related company to which the auditors had been denied access, and legal opinion on certain US regulatory issues.

For good measure, Price Waterhouse added: "Certain accounting transactions . . . have been either false or deceitful." It listed a series of further audit procedures that would be needed before it could complete its audit.

Just 12 days later, on April 30, Price Waterhouse *felt sufficiently confident* to express a "true and fair" opinion on BCCI's accounts. Its audit report *drew attention to a note to the* accounts which said that the bank's planned reconstruction was dependent on the continued support of its Abu Dhabi majority shareholders.

This, though, was not technically a qualification.

With hindsight, the accounts display other hints of the depth of the problems at the bank: a $600m bad debt provision, and a note revealing that the bank's shareholders had been lent $997m.

How could the auditors have felt confident enough to sign the accounts, given the depths of their misgivings – and the scarcity of detail in the accounts about what had been discovered?

They may not have know the extent of the fraud at the bank at that time, but neither could they have assured themselves that past problems were behind it: a follow-up report by Price Waterhouse in October, for instance, showed that the same practices that had troubled the auditors in April had continued and further undermined the bank.

*Price Waterhouse refuses to com*ment on its audit work, except to suggest that its responsibility is to report to shareholders, not depositors.

The implication is that, because BCCI was privately-held and its majority shareholders, the Abu Dhabi government and ruling family, had already received reports from Price Waterhouse about the troubles at the bank, there was no need to provide greater warning in the accounts. That some representatives of the majority shareholders are alleged by Price Waterhouse in a report this June to have been a part of the fraud adds to the irony.

It is also clear that, in the crucial 12 days, Abu Dhabi agreed to underwrite the bank's troubled loans. It effectively wrote a blank cheque to support BCCI – and the auditors relied heavily on this when passing the bank's accounts.

What about depositors, who now stand to lose much of their money? *Financial professionals* had already heard talk of dubious practices at BCCI, and many would have been *able to decode the hints provided by* Price Waterhouse in the bank's 1989 accounts and get out of the bank.

The general public, however, remained blissfully unaware. The auditors' decision to act pragmatically to prevent what they feared would be a run on the bank, rather than insist*ing on the accounts revealing* a full picture of BCCI's plight, ultimately did nothing to protect small depositors and employees.

If Price Waterhouse is right, and the general public should rely on the regulators of banks rather than on banks' published accounts, it puts even more pressure on the Bank of England to justify its actions over BCCI – first in accepting Adu Dhabi's offer to underwrite the bank, then in closing BCCI when that offer was still in place.

However, that may give Price Waterhouse little protection if any of the losers from the BCCI collapse try to sue it for negligence. The Bank of England offered Price Waterhouse an indemnity when it carried out its investigation this year which led to *the closure of the bank*. But it offered no indemnity against claims arising from its audit: in justifying how it acted, Price Waterhouse will have to stand alone.

WORLD ROUND-UP

Renamed bank expected to take over activities

THE *newly-named* Union National Bank will try to take over some of the regional operations of its disgraced parent, BCCI, Gulf bankers said yesterday, Reuter reports.

BCCI's subsidiary in the United Arab Emirates, BCC Emirates (BCCE) changed its name to Union National Bank in a gesture to disassociate itself from BCCI.

Sheikh Khalifa bin Zaid al-Nahyan, the Abu Dhabi crown prince, ordered the change, according to the official UAE news agency WAM.

Abu Dhabi's ruling Nahyan family, and the emirate's main financial institutions control 77.4 per cent of BCCI Holdings.

Sheikh Nahyan bin Mubarak al-Nahyan, the Union National Bank chairman, said last week that a team of auditors was studying *taking over BCCI's* operations in Pakistan, the home of BCCI's founder Agha *Hasan Abedi and* most of its senior management.

NEW YORK: A federal bankruptcy judge ruled on Friday to block temporarily legal efforts by BCCI creditors to get at the bank's remaining assets. Judge James Garrity agreed to an injunction request from London accountants Touche Ross restraining government agencies from liquidating assets.

Lawyers for BCCI argued at the New York court hearing that since the High Court in London had given them until December to work out an arrangement to distribute BCCI assets they wished a similar ruling in the US. Judge Garrity said that he would hold a further hearing on Friday.

BCCI's money and influence may have helped keep Cen*trust, the failed Miami savings* and loan bank, that was effectively controlled by BCCI, open at least 12 months longer than necessary, according to Time magazine.

It reports that BCCI's involvement with Centrust may have cost US taxpayers an additional $1bn in bail-out costs.

Mr Gaith Pharaon, the Saudi investor who US authorities *allege* bought Centrust shares on behalf of BCCI, assured bank regulators in Florida and *Washington that "rich Arab* investors" would keep Centrust afloat, according to Time.

This delayed the closure of Centrust from late 1988 until last year and boosted the cost of the collapse from $700m to $1.7bn, the magazine says.

MANAGEMENT

Barbara Durr explains why a US multinational thinks small is beautiful

ITW: ultimate widget group fastens on to bright ideas

When the chairman of Illinois Tool Works, a manufacturer of engineered components and systems, is asked how he keeps track of the vast array of products made by ITW's more than 100 operating units, his answer is simple. "I don't. Nobody can."

This answer is not the irresponsible and off-hand comment it might seem for the chief of a multinational company with $2.6bn in revenues last year. Instead, the reply is at the heart of ITW's management philosophy. To John Nichols' mind, creating a complex bureaucratic structure to track every widget would bring nothing but trouble.

He prefers to keep it simple. ITW is "a very horizontal organisation. Each operating layer is short. So if there's a problem it's going to show up right away," says Nichols. He is confident that if he needs to know what is happening in a given unit, the plant manager can quickly tell him.

This avoids going through layers of bureaucracy that can distort the real picture, he says, and it imbues plant managers with a real sense of being directly in touch with the top.

Nichols' confidence in this technique even extends far afield from the company's Chicago spawning ground. In the belief that the company can serve customers best by being close to them, ITW has located units in 35 countries overseas, many of them in Europe – particularly in France, Germany and the UK. These generated more than 46 per cent of its 1990 operating revenues.

The extraordinary decentralisation has other important benefits besides easy managerial vigilance. It helps to keep overheads low and creates a corporate culture of involvement and creativity. ITW's corporate headquarters in the Chicago suburb of Glenview is an example of its no-frills philosophy.

Housed in a plain-Jane sort of office building, it boasts straightforward off-the-shelf furnishings and few adornments of the usual image-conscious kind.

Nichols's office is a box with a glass door like that of every other executive. The overall impression is of Midwestern wholesomeness and good old-fashioned American values like democracy and hard work. And the effect is achieved without guile.

The other key benefit to keeping operating units on a humanly digestible scale is that the creative juices seem to flow more easily at that level. The company currently holds more than 4,000 active patents worldwide.

ITW has invented some of the most basic things that we use in everyday life, such as the two-pronged plastic buckle that is on virtually every piece of sporting equipment made today from life-jackets to the immensely popular new belly-packs.

It also developed the plastic ring-packaging for holding together six or twelve packs of soda bottles and cans which is photodegradable – that is it breaks down in light and thus causes less harm to the environment and animals.

Creativity is encouraged by what David Heminger, vice president and general manager of one of ITW's larger divisions, Paslode, calls the 80/20 rule.

That means that 80 per cent of a design engineer's time must be spent on a major application, but 20 per cent can be used to play around with off-beat ideas.

The freedom to toy with ideas has meant the engineers are "working longer hours and enjoying it more. They're having fun," says Heminger. The practice lead recently to one of the company's newest products: a cordless hand-held nailing or stapling gun that can be used for construction sites where dragging around a generator is a bother.

To honour individual employees for their innovative achievements management includes them in its own in-house "Patent Society", which carries a particular cachet within the company.

The scope for new inventions at ITW, the ultimate widget company, is extremely broad. It makes everything from plastic and metal fasteners to industrial tooling systems. Its products often seem low-tech and geared to basic applications, but they are highly engineered.

They also frequently emerge from close contact with customers. In working with both the British and French companies involved in constructing the Channel tunnel, for example, it developed an easily replaceable anti-corrosive anchor which enables equipment to be attached to the tunnel's concrete walls.

This application-focused product approach is part of the management's strategy. While he has carried on a spate of acquisitions over the last decade, Nichols still believes firmly in growth from internal development of products.

ITW's well-crafted management wins kudos from analysts. Robert Bartels, for example, of William Blair of Chicago, says ITW is "prototypical of what a manufacturing company must be to succeed in the 1990s and beyond.

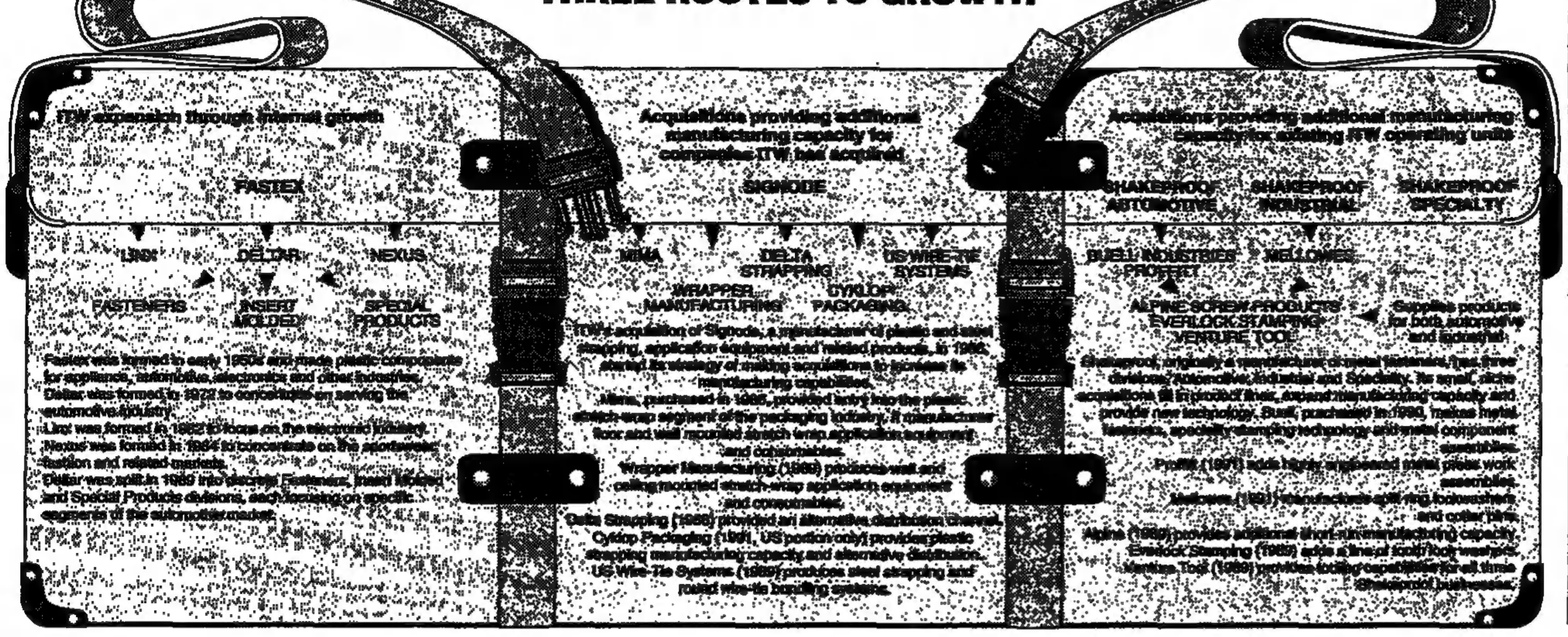
"The methods, structure and culture which enabled the company to increase sales and profits sixfold and fourfold, respectively, during the 1980s, and built ITW into a highly profitable (18 per cent return) manufacturer with sales of $2.6bn, should carry the company it forward strongly in the current decade."

While the acquisition of Signode from its management and other outside shareholders for $524m in 1986 doubled ITW's sales, the traditional pattern of acquisition has been of small companies, with sales $5m to $50m, that fit snugly into ITW's existing operations.

Nichols says that acquisitions are "platforms for us to restart internal development". Without this heavy emphasis on internal growth, he says, "we'd just be another guy buying stuff."

And Nichols is clearly not "just another guy".

THREE ROUTES TO GROWTH



Why it can pay to offer a choice

Andrew Jack reports on the growing popularity of flexible benefit schemes

Flexible benefits schemes, which allow employees to pick and choose between some of the components in their salary and perks package, may be on the verge of rapid growth in the UK.

Sometimes known as cafeteria benefits, the schemes allow employees to negotiate benefits from a "menu" and select, say, a larger pension contribution or more elaborate medical cover instead of a more expensive company car.

While some top executives have long been able to determine their own package of benefits, very few companies have extended the offer below their most senior staff. One exception is the Mortgage Corporation, a provider of home loans, which introduced a programme called Options for its 400 staff in August 1990.

According to a recent survey of leading companies by Hewitt Associates, a compensation and benefits consultancy, only 6 per cent said they offered flexible benefits to a specific group of staff and only 1 per cent offered them to the entire workforce.

Yet Hewitt, which advised the Mortgage Corporation, believes that more companies may be on the threshold of offering flexible schemes. When asked if there was "any current prospect" of introducing a scheme, 37 per cent of companies said there was for specific groups, and 16 per cent for all staff.

That may seem a touch optimistic on the basis of a questionnaire which garnered only 180 responses out of a total of 1,800 sent to businesses employing more than 700 staff, and given that intentions often differ widely from practice.

Yet the trend is endorsed by others in the field. Brian Friedman, managing director of Stoy Benefits Consulting, says: "Until now it has been dismissed as a nice idea in theory. Now suddenly companies are revisiting it seriously."

Friedman estimates that about a dozen large employers currently operate flexible benefits, but that nearly 200 are examining the idea. "We are working actively with 12 employers who say it is high on their agenda, or on their budget for next year," he says. Schemes soon to be launched include two in National Health Service trust hospitals.

In a flexible benefits package, there will normally be a "core" range of benefits on top of salary, including a pension contribution. Staff can then select options up to the value of a set allowance. Benefits might include childcare, school fee or mortgage assistance, season ticket loans and holidays.

There are a number of reasons for the recent interest in such schemes. Personnel managers have often been dissuaded from offering flexible schemes because of the difficulties of administering them. That was the main hindrance cited by one third of respondents to the Hewitt survey. More sophisticated software to handle the details and a new generation of personnel staff willing to use computers are beginning to change this.

Second, as the cost of providing benefits rises year by year, companies are becoming increasingly aware of the need to tailor packages precisely to their staffs' needs, says Philip Murray of Hewitt Associates.

Third, demographic changes in the labour force are bringing pressure to bear on companies to offer employees more flexibility. In the Hewitt Associates survey, 42 per cent of companies said the main advantage of a flexible scheme would be as an aid to retention of staff and 26 per cent thought it would help with recruitment.

Murray argues that the benefits are partly a response to new styles of participative management in British companies. He also draws hope from the US, where he says 62 per cent of the top 100 industrial companies now have flexible benefits.

Both consultants estimate that the additional costs of providing flexible benefits over conventional fixed packages are now negligible. Brian Friedman says: "Conventional packages are certainly paternalistic and probably patronising. There's a growing recognition of the fact that choice itself is a benefit and it is fair enough to pay a cost for it."

THE WEEK AHEAD

ECONOMICS

Markets wary of German interest rates

WARINESS OF another Lombard rate rise in Germany is taking hold of the markets this week ahead of the Bundesbank council meeting on August 15.

Though the German economy is expected to slow in the second half of this year, traders expect the Lombard rate to be raised by half a point to 9¼ per cent before mid-September.

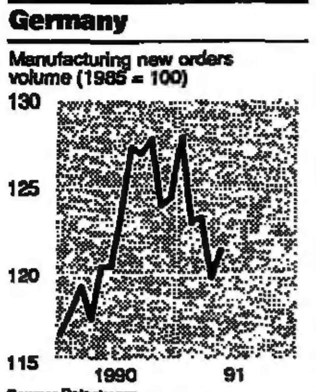
This has led many to think that the Bundesbank council will raise the discount rate – currently at 6½ per cent – on August 15, to narrow the differential between the Lombard and discount rate.

Inflationary pressures have picked up in Germany, with wage settlements running at 7 per cent, and the year-on-year cost of living rate at 4.5 per cent in July.

The authorities are expected to override fears of a sharp slowdown and keep monetary policy tight. Mr Helmut Schlesinger, the bank's new president, has already spoken of his fears of a wage-price spiral.

Germany

Manufacturing new orders volume (1985 = 100)



Source: Datastream

In the UK, talk is of a possible recovery from the continuing recession. But the markets have no reason to expect a base rate cut this week, with no UK data likely to provoke the authorities into action before next week's retail prices index.

In the US, the Treasury market has to stomach a record quarterly refunding, with $38bn of bonds being auctioned.

Monday: US, Congress recesses until September 10, July 21-31 auto sales. San Francisco Fed president Parry discusses economic outlook at the Fresno Rotary club. Spain, regular central bank repo.

Tuesday: UK, Bank of England releases details of Ecu Treasury Bill tender, Halifax building society releases house price index for July. US, three-year note auction, total volume $14bn, preliminary 2nd quarter non-farm productivity. Germany, July unemployment (west, flat), June employment (west 30,000), July unemployment (east, 250,000), short time workers. Canada, July foreign reserves (down $900,000), May leading indicator.

Wednesday: US, 10-year note auction, total volume $12bn, Fed releases Tan Book for FOMC meeting, June wholesale trade, consumer credit ($0.5bn). Australia, 2nd quarter consumer prices index (quarterly 0.5 per cent, yearly 3.8 per cent). Canada, July help wanted index.

Thursday: US, 30-year bond auction. Switzerland, BIS meeting. US, money supply, initial claims. Australia, June unemployment rate (9.6 per cent), June employment (down 10,000). Canada, May labour income.

Friday: US, July producer prices index (0.0 per cent), excl. food and energy (0.2 per cent). Canada, July unemployment rate (10.4 per cent), July employment growth (0.2 per cent), housing starts (down 165,000), new housing price index, motor vehicle sales, department store sales.

During the week: Germany, manufacturing orders (flat), money supply, June retail sales (9 per cent). Switzerland, July consumer prices index (6.5 per cent).

Rachel Johnson

RESULTS DUE

COMMERCIAL UNION will kick off what is likely to be a grim season of results from the leading insurance companies when it reports half-year figures on Wednesday. Analysts are expecting a pre-tax loss of about £30m, compared with a profits of £16m last year. CU will be by no means the worst, however, in a sector, which is feeling the full force of recession.

National Westminster, the last of the big four clearing banks to report, is expected on Tuesday to hold its dividend and reveal a *drop in interim* profits from £425m to around £20m-£50m, and bad debt *provision up from £425m* to £750m.

The week also sees first-quarter figures from two privatised companies, British Airways and British Telecom. Passenger traffic for British Airways, reporting on Wednesday, *is still suffering from the* recession and the after-effects of the Gulf War.

After the company's warnings with the last full-year figures, analysts are looking for a small loss in the first quarter to the end of June.

More interesting will be any hints about trading in the all-important current quarter.

British Telecom on Thursday is expected to make pre-tax profits of around £800m against £741m in the same quarter last year. Call volume growth will have dwindled but savings from cost reduction programmes, such as large staff *cuts, should more* than offset that.

British Petroleum and Shell, the Anglo-Dutch oil company, will report their second-quarter results on Thursday. Both companies are expected to see a drop from first quarter results which were boosted by strong refinery profits. But analysts' projections put BP on a slightly higher level than during the same period last year while Shell's result is expected to be lower than this time last year

Unilever is expected to report second quarter pre-tax profits of between £445m and £465m, down from £479m a year ago.

Though operations in most of continental Europe are thought to have fared well, the UK remains depressed and there has been little firm evidence yet of recovery in North American consumer products markets.

UK COMPANIES

■ **TODAY**
COMPANY MEETINGS:
ACT, The Hyatt Regency Hotel, 2 Bridge Street, Birmingham, 10.00
Durham (D. G.), 39 Botolph Lane, E.C., 12.00
Explaura, The Waldorf Hotel, Aldwych, W.C., 2.30
Hanover Druce, 21 Manchester Square, W., 10.30
Safeland, 144 Great North Way, N.W., 3.30
BOARD MEETINGS:
Finals:
BBA
Bensons Crisps
Edinburgh Oil & Gas
Transport Development

■ **TOMORROW**
Charter Consolidated, The London Intl. Press Centre, 76 Shoe Lane, E.C., 12.00
Evans of Leeds, Millshaw, Ring Road Beeston, Leeds, 12.00
Feedback, Winston Manor Hotel, Crowbough, East Sussex, 12.00
Oxford Instruments, Eynsham, Oxford, 11.00
Scantronic, The Founder's Hall, 1 Cloth Fair, E.C., 12.00
Vibroplant, Most House Intl. Hotel, Harrogate, 1.00
BOARD MEETINGS:
Interims:
Aitken Hume Intl.
NatWest. Bank
Scottish & Merc. Inv. Trust
Scottish Cities Inv. Trust
Finals:
Admiral
Law Debenture Corp.
Metal Bulletin
Sumit
TR Pacific Inv. Trust
Whitegate Leisure

■ **WEDNESDAY AUGUST 7**
Alpine Group, The Holiday Inn, Holiday Street, Birmingham, 10.00
BTP, The Cafe' Royal, 68 Regent Street, W., 12.00
Racal Telecom, The Institution of Electrcal Engineers, Savoy Place, W.C., 11.45
BOARD MEETINGS:
Interims:
Beales Hunter
Commercial Union
Mid Wynd Intl. Inv. Trust
Property Security Inv. Trust
Resort Hotels
Finals:
Ansbacher (Henry)
Brabant Resources
Conroy Pet. & Nat. Res.
GKN
Heywood Williams
Relyon
Rotork
Simon Eng.
Standard Chartered
Wickes

■ **THURSDAY AUGUST 8**
Bristol Evening Post, Holiday Inn, Lower Castle Street, Bristol, 12.00
Castings, Forte Post House Hotel, Chapel Lane, Great Barr, Birmingham, 3.30
Edbro, White House Hotel, Albany Street, Regents Park, W., 11.30
Micrelec, Unit 11, Camphill Indl. Estate, West Byfleet, Surrey, 12.00
Shelton (Martin), The Parkway Hotel, Otley Road, Leeds, 12.00
Tams (John), North Stafford Hotel, Stoke-on-Trent, 12.00
Vistec, The Midland Hotel, Derby, 1.00
Yorkshire Water, The Harrogate Conference Centre, Kings Road, Harrogate, 11.00
BOARD MEETINGS:
Interims:
Firth (G. M.)
TR City of London Trust
Finals:
Anglo & O'seas Trust
Jacobs (John I.)
Kinta Kella Invs.
Kleinwort Benson
Kode Intl.
Rotork
Smith & Nephew
Thornton Pan European
WPP

■ **FRIDAY AUGUST 9**
Essex Water, Hall Street, Chelmsford, Essex, 11.00
Racal Electronics, The Institution of Electrical Engineers, Savoy Place, W.C., 10.45
BOARD MEETINGS:
Interims:
West Trust
Wholesale Fittings
Finals:
Ayrshire Metal Products
Beta Global Emerging Mkts Inv

Company meetings are annual general meetings unless otherwise stated.

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
Amersham Intl. 8.1p
Archimedes Inv. Tst. 9p
Brown Shipley 5p
Cons. Bultfontein Mine 4.25cts.
Continuous Stationary 2.8p
Courtaulds 8.6p
DAB Invs. 34cts.
De Beers Cons. Mines 40% Prf. (Reg.) 100cts.
Do. 40% Prf. (Br.) 100cts.
Do. 8% 2nd Prf. 4cts.
Dwyer 1.5p
Electronic Data Proc. 1.75p
GEI Intl. 4.85p
Heavitree Brewery 0.6p
Do. A 0.6p
Johnson, Matthey 6.25p
Tiger Oats 5½% Prf. 5.5cts.

■ **TOMORROW**
Bertam 2p
Electra Inv. Tst. 3.2p
Grindlays Eurofin. BV Gtd. Fltg. Rate Nts. 1994 $342.52
PCT 4p
Staveley Inds. 5.9p
Tinsley Robor 0.25p
Whitbread 7¾% Red. Deb. 89/94 3.875pc.

■ **WEDNESDAY AUGUST 7**
Baggeridge Brick 0.75p
Bristol & West Bldg. Soc. Fltg. Rate Nts. 1994 £293.01
British Petroleum 4.2p
CSR 18cts.
Deelkraal Gold 10cts.
Driefontein Cons. 95cts.
Gold Fields Coal 40cts.
Gold Fields of S. Africa Cnv. Red. Prf. 145cts.
I & S Optimum Inc. Tst. 1.8p
Kloof Gold 50cts.
LPA Inds. 1.66p
Midlands Radio 1.5p
Optical & Medical Intl. 3.46p
Powell Duffryn 16p
River & Merc. Amer. Cap. & Inc. Tst. 1.8p

■ **THURSDAY AUGUST 8**
Bristol Evening Post 7.75p
Brown & Tawse 2.85p
Marubeni America Corp. 7.3% Nts. 1998 3.65pc.
Natl. Westminster Bank Var. Rate Cap. Nts. 2008 $171.22
Polar 2p
Renold 2.5p
Skopbank Sers. B Und. Var. Rate Nts. $172.5
Sumitomo Bank Intl. Fin. NV Gtd. Fltg. Rate Nts. 2000 $159.72
Willoughby's Cons. 1p
Do. Pfd. 1p

■ **FRIDAY AUGUST 9**
American Express 23cts.
Bermuda Intl. Bd. Fd. 30cts.
Brooke Tool Eng. 0.25p
Cape 7.5p
Castings 2.52p
Clarke Foods 0.75p
Grainger Tst. 1.2p
Hoskyns 0.75p
Vistec 0.2p

APPOINTMENTS

Promotion at Dairy Crest

■ Mr John Houliston, deputy chief executive of DAIRY CREST, has been promoted to chief executive from November 1. He will succeed Mr Geoffrey Bar who is retiring. Mr Houliston joined Dairy Crest in January 1990, and previously was managing director of Ross-Youngs, part of United Biscuits.

■ WELLGROVE TIMBER SYSTEMS, part of the Stewart Milne Group, Aberdeen, has promoted Mr Philip Rowson to managing director. He joined the company in 1976 and was assistant managing director. He takes over from Mr Hugh Mackay who will now devote himself to his post on the main board.

■ WILLIS WRIGHTSON NORTH, *Bradford, has* appointed Mr Trevor Sutton as deputy managing director, and Mr David Cartwright as divisional director. The company is part of Willis Corroon.

■ Mr Neville Reyner has been appointed managing director of the electronic products group of MITSUBISHI ELECTRIC UK, Hatfield. He joined the company in 1983, and was director of electronics.

■ BLETCHLEY MOTOR GROUP, Milton Keynes, has appointed Mr Stephen Potter as group financial director. He was group financial controller.

■ AEROSOLS INTERNATIONAL, a *Swallowfield subsidiary, has* appointed Mr Robert Conchie as sales and marketing director. He was national sales manager with L'Oreal Group.

Financial director of Hardy Oil

■ Mr Anthony S. Whyatt has been appointed financial director of HARDY OIL & GAS. He was senior assistant treasurer of Occidental *Petroleum Corporation,* vice president and treasurer of Occidental Financial Services Inc, and a director of various Occidental subsidiaries including its North Sea operating company.

■ Mr Patrick Mill, vice president, corporate marketing, NCR Corporation, will take over as managing director of NCR Ltd on September 1. He will succeed Mr Rex M. Fleet as chairman following the latter's retirement on December 31.

■ Mr Alick M. Rankin, chairman of Scottish & Newcastle Breweries, has joined the board of SECURITIES TRUST OF SCOTLAND. He is a director of other companies including *Christian Salvesen, and the* Bank of Scotland.

■ Mr Peter Goodwin has been promoted to managing director of SM MAGAZINE DISTRIBUTION. He was deputy managing director, and succeeds *Mr Geof Hoyle* who has been promoted in the Argus Group to managing director of the Reading Newspaper Co. Mr Hoyle remains a director of both SM and South London Press.

Henderson post

■ Mr Nick Banich, head of pooled pension funds at HENDERSON, has been appointed to the board of Henderson Pension Fund Management.

■ HERTZ EUROPE has appointed Mr Albert Nahum as director of marketing.

■ RANK HOVIS McDOUGALL has appointed Mr Patrick A. Metaxa *(pictured)* to the board. He continues as chairman of the cereal division, but in addition will work with Mr Tim *Howden, managing director,* on RHM's European plans.

CONTRACTS & TENDERS

LEGAL NOTICES

CONSTRUCTION CONTRACTS

Waterloo terminal project

The major projects division of BRIGGS AMASCO has won an £8.75m contract on the £120m Waterloo international terminal project. The division will work with its sister company, MAG Briggs Amasco, to supply the roofing and glazing package. The bow string frame roof *(model pictured)*, which will have 35 bays and be more than 400 metres long, will contain over 20,000 sq metres of stainless steel.

Refurbishing Victorian mansion block

A Victorian mansion block in Paddington is to be restored to its former glory under a £5m refurbishment contract awarded to *LAING LONDON* by Westminster City Council.

The building dates back to 1840 and English Heritage will be offering guidance on the reproduction of the original fittings such as windows and cornices.

Each of the 85 flats at 108-132 Westborne Terrace will be thoroughly repaired and improved and an additional 13 flats created in the basement areas and one on the ground floor.

New wiring, plumbing, storage heating, kitchens and bathrooms will be installed in each of the flats and, externally, the building will be re-roofed and re-rendered in the traditional style.

Work will be divided into two phases with final completion programmed for January 1993.

Retail development in Glasgow district

The development of large new retail and business parks for Glasgow and Cardiff has meant contracts worth more than £6m for TARMAC CONSTRUCTION.

The first phase of the Strath Kelvin Retail Park, comprising six stores, is being built for the developer, Caledonian Property Investments, at a cost of £5.2m.

The park, at Low Moss, Bishopbriggs, serving the northern area of Glasgow and surrounding districts, is to be developed in a further two stages of industrial and retail units.

At Cardiff, Tarmac Construction is carrying out a £1m contract to provide access to the proposed Woodstock Business Park for Woodstock Land. The park, including an hotel will lie alongside the M4 and M470 at Coryton.

A contract for £2.6m has been awarded by British Telecommunications for fitting out its office block, Guidion House, Ancells Park, Fleet in Hampshire.

Other projects include the installation of tanks and piping at the Wimborne works of Wessex Water Services (£287,000), and an electric control and switch room with site works for Manweb at the Deeside industrial park in Clwyd, Wales.

£10m orders for Bullock Construction

BULLOCK CONSTRUCTION has secured 10 contracts worth more than £6m.

Included in the batch is the £1.1m refurbishment of Birmingham's Snow Hill Hostel for Shape Housing Association and a £2.2m contract for Maunders Urban Renewal to refurbish existing and build new homes for sale at Marsh Green, Wigan.

Public sector contracts include: Birmingham City Council - the refurbishment of three four-storey blocks of flats at the Firs Estate, Castle Bromwich (£879,000); Sandwell Metropolitan Borough Council - a managed workshop project (£468,000); PSA Services - the re-cladding of three buildings at RAF Stafford (£329,000); Wrekin District Council - repairs and window replacement (£104,000); Royal Liverpool University Hospital NHS Trust - alterations and relocation of Social Services Department within the hospital (£114,000); and Rochdale Borough Council - two-storey extension to Matthew Moss School (£863,000).

A contract has also been awarded by ICI for the construction of a tablet production facility at *Macclesfield* (£456,000).

Croydon retail scheme

BERNARD SUNLEY & SONS has been awarded the construction contract for a £30m retail development at Croydon's Whitgift Centre by developer Chartwell Land.

The 55,000 sq ft scheme will comprise 12 units and two kiosks on space made available by the redevelopment of the Woolworths store and the addition of three units on North End Road, one of which was completed earlier this year.

Completion will be phased to enable tenants to begin trading *by early 1992.*

* * *

Construction orders worth £17m have been won by JACKSON GROUP, including an £8.4m road improvement on the A13, dualling of a road at Southern Hay, Basildon, sea defence *contracts and a £2m* distribution centre.

* * *

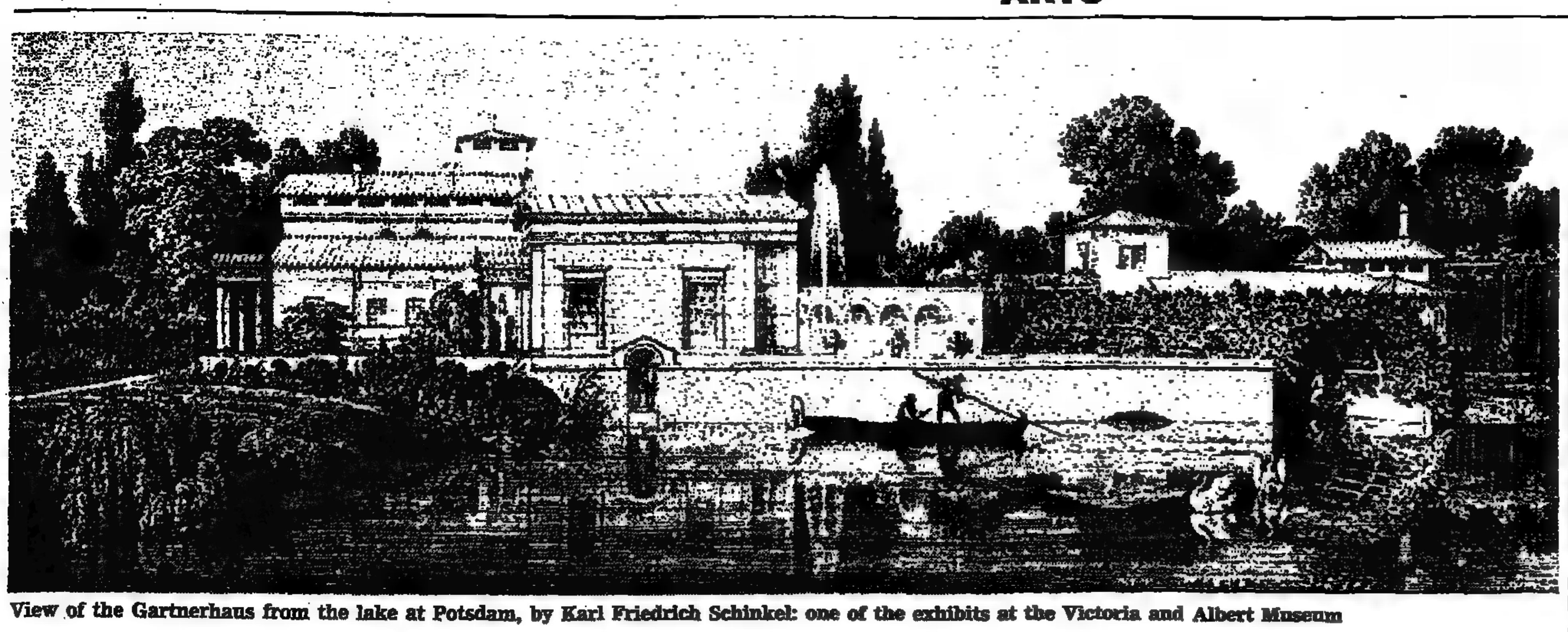
Three companies in the construction division of TRAFALGAR HOUSE have won contracts worth about £14.15m. Willett has contracts for two three-storey extensions and a leisure spa at the Runnymede Hotel worth £5.2m, a £3.15m contract for the design and construction of generator facilities and a £1m contract from Derwentside District Council for small business units in Consett.

Mine Engineering Services has new work valued at £2.45m and contracts worth £2.35m have been awarded to Cementation Piling and Foundations.

* * *

HENRY BOOT has won contracts worth £8.5m. Heading the list is the construction of offices and depot for British Gas in Hertford Road, East Ham. The 50-week project is valued at £4.4m. The company has also won a £1.6m contract for a fitting out to a new extension and alterations to a Littlewoods store in Bromley.

ARTS



View of the Gartnerhaus from the lake at Potsdam, by Karl Friedrich Schinkel: one of the exhibits at the Victoria and Albert Museum

ARCHITECTURE

Complete heaven for the Potsdam gardener

Colin Amery admires the work of Karl Friedrich Schinkel, currently being exhibited in London

I would like to apply for [redacted] new job. I am not sure whether I am entirely qualified nor indeed whether the post still exists. I would like to be the court gardener at Charlottenhof in Potsdam. The reason has nothing to do with the changes of middle life or the ennui [redacted] August [redacted] even [redacted] recent [redacted] for gardening. The reasons are purely aesthetic and architectural. My idea of complete heaven [redacted] the house designed for the gardener at Potsdam in 1835 by Karl Friedrich Schinkel. *Paintings* [redacted] drawings of [redacted] glimpse of Paradise can be seen in the excellent new exhibition at London's Victoria and Albert Museum, *Karl Friedrich Schinkel: A Universal Man* (sponsored by BMW (GB) Limited, which runs until October 27).

The triumph of the gardener's Ital[redacted] *villa with its vine covered* pergolas and terraces relies upon the successful organisation of a series of idyllic [redacted] that depend upon the *happy marriage between landscape* [redacted] architecture. It is one of Schinkel's happiest creations. [redacted] was born in 1781 and until his death in [redacted] he *was the key architect and* [redacted] *for* the emerging Prussian state. He is best known for his series of great classical buildings in Berlin. The Altes *Museum, the Schauspielhaus (theatre)* and the Neue Wacht (New Guard House) are three of the great architectural glories of Berlin.

The planning of this [redacted] fortuitously [redacted] with German reunification and [redacted] Berlin the capital of [redacted] new Germany. [redacted] bring together [redacted] remarkable drawings [redacted] paintings in London from [redacted] on both side of the former divide has been a delicate and difficult exercise in cultural organisation. Michael Snodin at the V&A, who organised the show and edited the excellent catalogue, [redacted] congratulated. The exhibition is timely, clear and concise. Because the original material is so wonderful, one's [redacted] *from the strange choice of* [redacted] pink" walls and the unsatisfactory lighting, but [redacted] has to said, sadly, that the exhibition design [redacted] *in-house V&A job) is disappointing.*

Schinkel was the chief state architect in Prussia, yet his life was not dedicated to bureaucracy but to [redacted] con*viction that the human condition* could be uplifted by exposure to an education in [redacted] perfection. Schinkel himself possessed [redacted] deeply *rooted* [redacted] *of* [redacted]*ty* [redacted] passed to [redacted] remarkable degree both the classical and the romantic. In the finest examples of his work, [redacted]hich *are in my view his more intimate* houses, villas and pavilions for the Prussian royal family, he achieves [redacted] harmony of art and nature that is near perfection. This harmony is also [redacted] in the [redacted] of the [redacted] ings, [redacted] furniture [redacted] and arrangements of colours are all the product of Schinkel's imagination. His own description of the Charlottenhof complex of buildings in the park at Potsdam is poignantly beautiful and yet practical and instructive.

Who could fail to visualise the controlled but picturesque beauty that Schinkel envisions in these words: [redacted] villa there is an [redacted] garden, well stocked with produce, where artichokes and [redacted] tall plants [redacted] among grapevines *densely twining round* [redacted] The whole site forms a pictur[redacted] ensemble offering varied and agreeable views, secluded places to *rest, comfortable rooms* and open spaces in which to enjoy country life. By its nature it is capable of infinite extension and enrichment, [redacted] giv*ing continuous creative satisfaction."* It is those last three words that any [redacted] the [redacted] should keep in mind when looking [redacted] *the exposure of his entire career that* is so enjoyably visible at the V&A.

Schinkel excelled as an artist, as an architect and as [redacted]ned innovator. *His paintings and* [redacted] *designs at the* V&A show a remarkable mastery of both perspective and light. The great painting of a medieval city with a gothic cathedral beneath a rainbow suggests the sublime possibilities of a romantic world. But look at the ordered arches of stars in Schinkel's stage design for the hall of the Queen of the Night in Mozart's *The Magic Flute* and you are in another realm, other traditions and sensitivities are brought to life with incomparable magic.

We are dealing here with a man who conceived a classical Berlin almost as a great painted [redacted]. He also achieved it in [redacted] dimensions. Schinkel's own paintings [redacted] with perfect detail but he was particularly well served by the paintings of his work by Carl Daniel Freydanck (1811-87). There are several in the exhibition and they are both [redacted]. *It is* the inclusion of these pictures alongside the superbly crafted drawings and watercolours [redacted] Schinkel [redacted] others *that makes this exhibition* such a delicious feast for the eyes. It is also instructive for our own architects and designers to see [redacted] visual world that *was so creatively shared by both* artists and architects.

There are only brief moments when Schinkel's hand falters and a sense of *later 19th century heaviness comes* over some of the furniture, silver and decorative artefacts. Sometimes [redacted] complexity [redacted] seems [redacted] overwhelm [redacted] early clear vision, especially in the [redacted] designs.

[redacted] of [redacted] and [redacted] fascinated by [redacted] tradition of brick warehouses and factories. This visit led him to design simplified [redacted] gothic buildings [redacted] influential. The [redacted] he [redacted] during [redacted] travels [redacted] in [redacted] parallel exhibition at the Goethe Institute in London until September [redacted].

This is Schinkel's summer in London. There are to be study days and a symposium (details from the V&A) and both exhibitions deserve more than one visit. The catalogue is in fact the first major collection of writings in English on Schinkel and it is invaluable, in spite of the disappointing quality of colour reproduction. *Karl Friedrich Schinkel, A Universal Man* is edited by Michael Snodin and published by Yale (£30 or £16.95).

I would recommend several visits to the V&A – and then, with Schinkel in your hea[redacted], visit Berlin and Potsdam in the late autumn when his *genius can be enjoyed in the elegiac* autumn light.

Angel City

GROVE THEATRE, LONDON W10

The Royal Shakespeare Company is about to launch a production of *Curse of the Starving Class* by the American playwright, Sam Shepard. For that play you will have to wait until September.

Meanwhile, anyone who wants a foretaste [redacted] how *electric Shepard's plays* can be should hasten to the pub theatre at 139 Ladbroke Grove in Notting Hill where there *is a stunning performance of* one of his earliest works, *Angel City*.

I should add one *qualification: the play might* not seem up to much if it were not so magnificently done. There is nothing in the text *that is outstanding or even* particularly memorable. It is the performance that [redacted]

This production by the *Frontline Theatre Company* has everything and, what is [redacted] – would other directors please note – it is played fast. Even when it is alluding to *Waiting for Godot*, the pace does not slow.

In short, it assumes an intelligent audience that wants movement, not pauses.

Shepard is an actor as well as a playwright. [redacted] influences on him are jazz, rock and roll, abstract American [redacted] boxing and Hollywood. *The talent in Angel City* is the way he puts them all together.

The set is a huge camera. *Sometimes you see it like an* audience watching a screen for the finished product. At [redacted] the [redacted] is being used to make the movie. Indeed the set itself could stand as an example of American art in the early 1960s.

If there is a theme, I suppose it is the juxtaposition of the decay of Los Angeles and the dreams of Hollywood: illusion and reality.

Such story line as there is revolves around people trying to make a disaster movie while disasters go on around them: there is a particular obsession with skin disease, which comes out in luminous green. All the characters are seeking some magical cure-all.

But forget [redacted] attempts to rationalise. This is a spectacle, not a treatise. The tympanist, looking for the magic rhythm, *also fries* imaginary eggs on the top [redacted] his drums. The boxing gives way to some highly impressive *Japanese duelling.*

The cast alternates between performing directly and watching what happens [redacted] movie. "We shall chew ourselves into oblivion," one of them says as they eat the popcorn.

The direction is by Andrew Pratt. I saw no flaws, whether in ligh[redacted] playing, [redacted] or anything else. The production runs until August [redacted]

Malcolm Rutherford

BBC Welsh Symphony

ROYAL ALBERT HALL

Like [redacted] BBC [redacted] (*née* Northern), this [redacted] has long ceased to be a poor relation. On Friday [redacted] of their three Proms this season displayed them in impressive [redacted] *stylish* in Mozart, imaginative [redacted] alert in Tippett, richly blended in Richard [redacted] Otaka, their *principal conductor since 1987,* must have something to do with that, and he has done it very well.

[redacted] was [redacted] Symphony no.32 in G – really just an "Ouverture" in three continuous sections, [redacted] strong and dramatic enough that Mozart twice gave it a re-treading [redacted] use [redacted] later occasions. Otaka ensured [redacted] cutting edge, and a fine breadth of contrasts. By comparison with Strauss's *Ein* [redacted] later, [redacted] mere needlepoint; and yet [redacted] had established its own high-definition scale effortlessly.

The hugely expanded band [redacted] proud auto-portrait sounded no less polished. His [redacted] E-flat tapestries glowed serenely, the nagging critics (acidulous woodwinds) were characterised with proper malice, the battle-royal was a cogent [redacted] rather than a noisy rout. Above all, as "guest leader" the BBC WSO fielded Lyn [redacted]tcher, who imperson*ated the hero's wife – florid* solo violin – in rare sensuous depth, making other renditions appear thin and pallid.

Though [redacted] got a well-earned ovation, one facet was missing. The wife is of course Strauss's own Pauline, famously petulant and sharp-tongued, and the third [redacted] consists [redacted] brave, manly [redacted] gestures which are cut short by the violin-flights – volatile and wilful, usually sweeping up to a piercing sting. Instead, Miss [redacted] played them "[redacted]ful", without contrary hints; since the stings never hurt, there was no comedy of conflicting [redacted]. In [redacted] the symphonic [redacted] that was a loss.

Between those pieces came Tippett: [redacted] Piano Concerto, with Peter Donohue as soloist. Playing from the printed score, he seemed sympathetic and technically very sound, and Otaka drew the right eager [redacted] from his *orchestral players. The con*certo was new to my concert guest, who was sorry that the piano-part seemed to be submerged so [redacted] the fault of Otaka's orchestral balancing, I thought, nor of the [redacted] Hall acoustic, nor any weakness in Donohue's dynamics. What the piano needed was not an extra degree of *forte*, but a stamp [redacted] vivid character which would hold the [redacted] throughout. His careful sympathy didn't run so far as that. Not for the first time, I wondered [redacted] doughty, generous performer hadn't stretched himself too thinly.

David Murray

SPONSORSHIP

Japanese jamboree has attracted big spenders

The UK [redacted] in for [redacted] biggest bout of Japanese mania since [redacted] when the [redacted] topical W.S. Gilbert exploited our [redacted] with Japan in *The Mikado*. The Japan Festival does not officially open until mid-September but the first [redacted] starting to [redacted] *Only* [redacted] *myopic* hermit will be able [redacted] ignore the four-month jamboree, which [redacted] to removing British mis*understandings* [redacted] Japan and its culture.

Virtually the entire cost, which [redacted] to [redacted] will be [redacted] by [redacted] *with Japa*[redacted] companies contributing [redacted] and the British [redacted] rest. It is easily the biggest spon*sored arts event ever and com*pares favourably with the £35m which UK industry spends annually on arts sponsorship.

Indeed, there are some who say the festival has syphoned off cash that might have supported home grown arts activities. This might be true at the margin, but the emergence of little-known Japanese companies, using the arts to promote their presence in [redacted] UK, could [redacted] profitably exploited by British arts organisations in the future. And the paramount role of business in providing *such a major* [redacted] festival should [redacted] corporate [redacted] not ignored in [redacted] *strategy* [redacted] *currently* being moulded by [redacted] Council.

The [redacted] Japan [redacted] built [redacted] a £300,000-plus dona[redacted] from [redacted] Midland Group and £50,000 each from a raft of 26 companies, including BP, Unilever, United [redacted] the Financial Times, all with Japanese links. Their cash goes into [redacted] communal pot, but scores of companies are backing individual [redacted]. Harrisons of the Clyde and the Gooding Group of Cardiff, for example, are [redacted] small-ish firms which are dipping their [redacted] sponsorship for [redacted] first time through the festival. Some companies are providing a mix – Price Waterhouse, for example, has given £50,000, comprising the secondment of an accountant to the festival for [redacted] year plus a cash donation, while the £250,000 from BT covers both a donation and events.

The organisers were fortunate in seeking backers in 1989 and 1990, before the recession started to grip and new sponsorship was frozen. Amazingly, no one has yet [redacted] on their commitment [redacted] some companies, like Sun Alliance, lobbed in £5,000 last week. Indeed the cash box has far exceed[redacted] the original £12m target, enabling more events to be added to the programme. The Japanese ambassador in [redacted] UK has been busy exerting pressure and all the main Japanese companies operating *here* [redacted] participating, headed by Toyota.

[redacted] like Sanwa, have com*mitted themselves on all* fronts. Its £200,000-plus infusion comes partly through its head [redacted]ce in Ja[redacted] partly *from* [redacted] London branch, [redacted] £40,000 grant [redacted] Mingei exhibition of Japanese folk-crafts); plus [redacted] co-sponsorship, for £50,000, [redacted] Glaxo, [redacted] a tour by Japanese young musicians, and support from its [redacted] the exhibition in Edinburgh of work by Hamano, the leading Japanese contemporary [redacted]. For many it is a strange experience; in Japan [redacted] is no tradition [redacted] companies playing such a prominent public philanthropic role in backing culture.

[redacted] are [redacted] expensive [redacted] present. The Sumo Tournament taking place at the Albert Hall in October is costing £800,000 for five days of wrestling, with Hitachi, Nomura and Japan Airlines joining Mercury as sponsors. The flagship exhibition, [redacted] *of Japan*, at the Victoria [redacted] Albert Museum, could be budgeted [redacted] £5m if the renovation costs of the Museum galleries [redacted] included. Even without, the bill far exceeds £1m. It marks the return of the V & A to large scale exhibitions and its three *visions of Japanese culture* – past, present and future – should make a major impact. The cost is being carried by hundreds of Japanese companies.

There can be few festivals which justify all the ballyhoo but this one could be worth the expense if only because it is so different. All the major western art forms – opera, dance, theatre, even visual art – are foreign to Japan so we are being confronted with an entirely different culture. The organisers admit to only one disappointment, that it could not get the Palladium to house Takarazuka, the woman-only musical group which helped *break the male monopoly of* acting. This apart, there is a mass of curiosities, from Japanese pre-war cinema to robots, *from the Japanese garden in* Holland Park to an open day in Hyde Park with archers on horseback and Japanese fireworks.

For some years now Japanese sponsorship of the arts in the UK has been the mainstay of the industry. It is to be [redacted] that this enormous celebration will be a marker for [redacted] more co-operation [redacted] future rather than a final [redacted]

■

It is much harder to find sponsorship money this year and the big, expensive, prestige events are the first to suffer. The National Theatre has [redacted] forced to cancel visits by leading German and Italian companies this autumn because neither multinational companies nor governments could come up with the £600,000 needed.

By [redacted] strange twist sponsorship budgets, which developed from charitable donations into marketing tools, seem to be reverting to their old fashioned ways. It is easier to get sponsorship for community, and in particular, for educational projects [redacted] high profile events involving corporate [redacted]pitality.

London's Spitafields Festival, for example, which is dependent on sponsorship for most of its income, managed to raise its revenue by 50 per [redacted] this summer, to £140,000, mainly because it has a major educational and community programme: *involving the local* Bengali schoolchildren in its musical events, for example. Companies do not want to be *seen supporting black tie* events while making employees redundant; helping the under-privileged is another matter.

■

The Arts Council's sponsorship department continues [redacted] notch up successes. It has persuaded English Estates to provide the money for a Young [redacted] Scheme and Rolling Rock beer to finance the council's Contemporary Music Network tours. The first young conductor to be helped is Christopher Gayford who will be [redacted]king with the Royal Liverpool Philharmonic.

Antony Thorncroft

INTERNATIONAL ARTS PREVIEW & FESTIVALS

This year's Lucerne Festival opens *on August 17* with an open-air concert at Tribschen conducted by Wolfgang Sawallisch, followed by a lakeside firework display. *The festival* runs till September 11. The most eye-catching feature is the extensive line-up of high-quality orchestras, conductors *and soloists*, which Lucerne regularly manages to attract despite an almost complete lack of state subsidy. Zubin Mehta brings the Israel *Philharmonic* for two concerts at the Kunsthaus (Aug 27, 28).

The first programme is devoted to *Mahler's Fifth Symphony and* the second to Mozart, with Radu Lupu soloist in the Piano Concerto No 25. Claudio Abbado conducts the Berlin Philharmonic in music by Brahms, Mozart and Mahler (Aug 31, Sep 1), and Riccardo Chailly conducts the Concertgebouw Orchestra in two programmes (Sep 3, 4), including one devoted to Bruckner's Second Symphony and Frank Martin's Concerto for seven wind instruments and timpani. Lorin Maazel conducts the Vienna Philharmonic in two concerts *(Sep 5, 6)*, and the Orchestre [redacted] Paris plays [redacted] its chief conductor, Semyon [redacted] (Sep 7, [redacted] Recitalists [redacted] *Murray Perahia* [redacted] 19), [redacted] (Aug [redacted], and Jessye Norman (Aug [redacted]

Several of this year's *programmes are tailored* [redacted] Switzerland's 700th anniversary celebrations. Mario Venzago conducts a concert performance of Othmar Schoeck's opera Venus, with a [redacted] led by Frieder Lang and Lucia Popp (Aug 25). Schoeck also crops up in concerts conducted by Sawallisch (Aug 17), Andreas Delfs (Aug 24) and Paul Sacher (Aug 25, 26). Sacher, who celebrated his 85th birthday earlier this year, has become a festival institution with his outdoor concerts at the Lion Monument, which this year feature [redacted] trumpeter Hakan Hardenberger. Among other [redacted] composers represented this [redacted] Norbert Moret ([redacted] Cello [redacted] is to be played by Thomas Demenga on Aug 18) and Heinz Holliger.

FESTIVALS GUIDE

ALDEBURGH

This [redacted] Proms include [redacted] choral concert [redacted] Orford Church, a performance of Mahler's Das Lied von der Erde sung by Christine Cairns and Bjorn Haugen on Wed [redacted] Snape, and semi-staged productions of Le nozze di Figaro (Thurs) [redacted] fan tutte (Fri) by members of Claudio [redacted] Musica from Tuscany. Ends Aug 31. [redacted]

BAYREUTH

Today's performance is Lohengrin, conducted by [redacted] Schneider with Paul Frey in the title role, Eva Johansson as Elsa, Ekkehard *Wlaschiha as Telramund and* Gabriele Schnaut as Ortrud. Tomorrow, Giuseppe Sinopoli conducts Dieter Dorn's cool, intellectual 1990 production of Der fliegende Holländer, [redacted] Bernd [redacted] in the [redacted] role, [redacted] Goldberg as Erik and Sabine Hass as Senta. James Levine conducts Wolfgang Wagner's [redacted] Wed, [redacted] the second [redacted] summer's three Ring cycles begins on Thurs.

BREGENZ

Tonight's [redacted] by [redacted] Vienna Symphony [redacted] *Festspielhaus is* [redacted] the keyboard by Rudolf Buchbinder, [redacted] Piano [redacted] and [redacted] *plus* [redacted] Rondo [redacted]. Jerome Savary's [redacted] production of Carmen can be seen tomorrow, [redacted] Fri and [redacted] alternating casts. The final two performances [redacted] Richard Jones' production [redacted] Mazeppa are [redacted] in the Festspielhaus [redacted] Thurs and Sun.

EDINBURGH

Anyone [redacted] in [redacted] opening [redacted] *year's* [redacted] should snap up [redacted] performances of Mussorgsky's Khovanshchina by the Kirov Opera at [redacted] Playhouse on Sat and [redacted] Theatre of [redacted] Ostrovsky production at [redacted] Empire Theatre [redacted] Sun – leaving plenty of time [redacted] a dauntingly rich [redacted]. The opening concert in [redacted] Usher Hall on [redacted] is a Mozart programme [redacted] *by Yehudi Menuhin.* Ends Sep 1. Official Festival: (31) 225 5756. Military Tattoo: (31) 225 1188. Fringe: (31) 226 5138

EPIDAURUS

[redacted] Ancient Theatre [redacted] Epidaurus [redacted] performances this week: Karolos Koun's Art Theatre production [redacted] Aristophanes' Clouds, on Fri and Sat. Ends Aug 31. Ticket information from Athens Festival box office (1) 322 1459 during the week, or [redacted] Epidaurus [redacted] days [redacted] performance (753) 22026

GLYNDEBOURNE

This year's [redacted] devoted entirely [redacted] The [redacted] begins with Don Giovanni tonight, [redacted] by Donald Runnicles, with a [redacted] led by *Olaf Bär* in the [redacted] role, [redacted] McLaughlin [redacted] Donna Elvira and [redacted] as [redacted] (also Thurs [redacted] Sun). [redacted] Hytner's much-admired production of La clemenza di [redacted] (tomorrow and Fri) is [redacted] by Andrew Davis, with Philip Langridge [redacted] title role and Ashley Putnam as Vitellia. Peter [redacted] trendy production of Die [redacted] (Wed and Sat) in a [redacted] Anglo-American translation by [redacted] Goodman. Ends Aug 23. (273) [redacted]

LOCARNO

The [redacted] International film [redacted] opens in the Piazza Grande on Wed with [redacted] showing of Citizen Kane (1941). The programme [redacted] Thurs includes [redacted] by the [redacted] and a new film by the Swiss [redacted] Boyz'n The Hood [redacted] by John Singleton will be screened on Fri, together with a new Swiss/French *production*, Jacques et F[redacted] Daniele Luchetti's [redacted] film Il Portaborse can be seen on Sat. [redacted] Aug 17. (93) 310232

MACERATA

Daniel [redacted] Butterfly at [redacted] tomorrow, Thurs and Sat. Gustav Kuhn conducts Così fan tutte at the Teatro Lauro [redacted] on [redacted] and Sun, and Don Giovanni at the Arena Sferisterio on Fri. The festival ends with a performance of [redacted] Requiem on [redacted] 14, conducted by Kuhn. (733) [redacted]

PESARO

This year's [redacted] on [redacted] with Pier Luigi Pizzi's production of Tancredi, [redacted] by Daniele [redacted] (repeated Aug 13, 16, 18). The principals [redacted] Mariella Devia, Lucia [redacted] Terrani and Raul Gimenez. The other main offerings [redacted] year are Otello (Aug 17, [redacted] double-bill (Aug [redacted], 24, [redacted]. [redacted] Aug 31. (721) [redacted]

RAVINIA

Tonight's [redacted] by [redacted] tenor Jerry Hadley. Tomorrow, [redacted] de Larrocha plays piano [redacted] by [redacted] and Mozart, [redacted] on Wed Dizzie Gillespie and Miriam [redacted] join forces. The *Chicago Symphony* [redacted] gives [redacted] concerts. Zubin Mehta [redacted] Mahler's Fifth and Bruch's Violin Concerto, with Midori (Fri), and [redacted] Knoxville with [redacted] soprano Mavis Martin and [redacted] Symphony (Sat). [redacted] by a Gershwin evening (Sun) conducted by Erich Kunzel. Ends [redacted] (312) 728 [redacted]

SALZBURG

The opera programme this year is all-Mozart: in the Grosses Festspielhaus, Solti conducts Johannes Schaaf's new production [redacted] *Die Zauberflöte (Thurs), Muti* conducts Don Giovanni with a cast led by [redacted] Ramey, Edita Gruberova and Susanne [redacted] *(Fri) and Haitink conducts* Le nozze di Figaro with Lyuba Kazarnovskaya, Thomas Allen and Ferrucio Furlanetto (Sat). In the Kleines Festspielhaus, Kurt Rydl sings Osmin in Entführung (Tues and Fri), and Muti [redacted] Così [redacted] tutte with a cast led by Margaret Marshall, Ann Murray, Thomas Hampson and [redacted] der [redacted] (Wed). In [redacted] Felsenreitschule, [redacted] Idomeneo with [redacted] including Sylvia [redacted], Cheryl [redacted] and Anthony Rolfe Johnson (tonight [redacted] Sun), and [redacted] a final [redacted] John Neumeier's new ballet Requiem (Thurs). The [redacted] programme includes tonight's performance [redacted] Mozart and [redacted] symphonies by the Dresden Staatskapelle [redacted] by Colin Davis, [redacted] on [redacted] Vienna *Philharmonic* [redacted] followed by [redacted] evening song recital by Jessye Norman.

SAN SEBASTIAN

The [redacted] opens tonight [redacted] a concert of [redacted] music by Salieri and Mozart in the Basilica [redacted] Maria del [redacted]. [redacted] include a [redacted] programme with [redacted] Ballet Lirico Nacional [redacted] *Eugenia* (tomorrow and Wed), [redacted] a concert by the Chamber [redacted] Conservatoire at the Palacio Miramar (Sat). A *group of young* pianists perform the complete Mozart piano sonatas each evening at 20.00 from tomorrow till Fri in the Pal[redacted] Miramar.

SCHLESWIG HOLSTEIN

This [redacted] highlights include concerts in Flensburg (tomorrow) and Eutin (Wed) by the Orchestra [redacted] Kirov Opera, Leningrad, under [redacted] chief conductor Valery Gergiev. Both programmes are devoted to Prokofiev.

The [redacted] *large-scale* [redacted] features the Festival Orchestra at the Lubeck Stadthalle (Sat) and [redacted] Castle (Sun), with Dmitry *Kitayenko conducting* [redacted] Adagio for Strings, Stravinsky's Firebird Suite and Prokofiev's Fifth Symphony. Ends Aug [redacted] (431) 567080

TANGLEWOOD

[redacted] Thurs, Ivan [redacted] gives a [redacted] of piano music by *Debussy and* [redacted] *Charles* Dutoit conducts the Boston Symphony Orchestra on Fri and [redacted] with music by Kodaly, *Hindemith, Schumann* [redacted] Rakhmaninov, followed by a [redacted] by the Orpheus Chamber Orchestra on Sun. [redacted] different Mozart piano [redacted] in [redacted] programme, with Jeffrey Kahane (Fri), Yefim Bronfman (Sat) and [redacted] Licad (Sun) as [redacted]. Ends Sep 1. (413) 637 1600

TORRE DEL LAGO

The Puccini open-air [redacted] near Viareggio [redacted] a double-bill of Le villi and Il tabarro (Thurs and Sun), Turandot with Ghena Dimitrova (Fri) and [redacted] Butterfly (Sat). Ends Aug 18. (Pazzale Belvedere 4, 55048 Torre del Lago)

FINANCIAL TIMES

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The Yugoslav imbroglio

AN undeclared [illegible] is now raging in Yugoslavia. After the fighting in Slovenia between [illegible] federal army and the Slovenes, where a [illegible] is holding, attention has switched [illegible] the conflict between [illegible] and Croats. Together with Slovenia, Croatia declared its independence on [illegible]. But [illegible] Slovenia, which is an ethnically-homogenous republic, Croatia [illegible] 600,000 [illegible] per [illegible] of the population. Many [illegible] do not want to [illegible] an independent Croatia. Even if they [illegible] to do so, it [illegible] unclear whether Mr [illegible] Milosevic, [illegible] president of Serbia, would [illegible]. His [illegible] goal [illegible] in [illegible] Serbs, Yugoslavia's largest ethnic [illegible] all live.

It is that goal which is now being systematically realised in Croatia. Day by day, villag[illegible] in ethnically-mixed commu[illegible] in that republic [illegible] being [illegible] to flee. Serbian nationalists, backed by the federal army, which was supposed [illegible] have provided [illegible] buffer [illegible] the [illegible] communities, are carving out the boundaries of a greater Serbia. Even if the fighting ended in Croatia, Mr Milosevic would continue to cause disruption in the central republic [illegible] Bosnia-Hercegovina, part of which the Serbs are already planning to annex. The [illegible] and death has not deflected Mr Milosevic and his supporters from their goal.

Serbia's intransigence

In order to put an end to the fighting, Croatia's government, and Mr Ante Markovic, the federal prime minister, asked the European Community to extend its mandate from monitoring the ceasefire in Slovenia, to Croatia. Yesterday, following talks with Yugoslav leaders, the EC troika of foreign ministers said their mission had not succeeded, clearly implying that Serbia's intransigence was responsible. Besides refusing to attend one of the joint sessions, Mr Milosevic had also ruled out any suggestions that the EC might, as a last resort, deploy an armed peacekeeping force.

The motives of the Serbian leader appear clear. He did not want EC officials to see at first hand the way in which [illegible] bian [illegible] are trained, [illegible] extent [illegible] their co-operation with [illegible]. The breakdown of yesterday's talks, will now prompt the EC into questioning [illegible] future role it can [illegible] in Yugoslavia.

EC intervention

The EC has [illegible] interest [illegible] well [illegible] political responsibility to do all it can to prevent the Yugoslav [illegible] from [illegible]ing into [illegible] full-scale [illegible]. It could lea[illegible] instability throughout the Balkan peninsula [illegible] Yugoslavia's neighbours [illegible]ing territorial [illegible] republics. It [illegible] the [illegible] interests, for instance, that Greece, a member [illegible] Nato and [illegible] Community, should become embroiled in a territorial dispute with Albania, [illegible] Yugoslav republic of [illegible]. This [illegible] happen if [illegible] and [illegible] spreads [illegible] parts [illegible] the country.

But [illegible] EC, [illegible] the only [illegible]ible mediating force, [illegible] options. It [illegible] all financial assistance to [illegible] enfeebled federal government [illegible] Mr [illegible] position. It [illegible] in military [illegible] because Serbia and [illegible] support[illegible] on the [illegible] presidency would [illegible] it. Even if [illegible] an opportunity [illegible] no clear demarcation [illegible] in [illegible] the EC could monitor [illegible] at the weekend proved, there are no guarantees that a ceasefire would be respected.

If EC officials try again to mediate, and they should be encouraged [illegible] so, they [illegible] persist in attempting [illegible] convene a meeting of the country's leaders, including the representatives [illegible] Serbian [illegible] will [illegible] found until all [illegible] main players sit down with independent outside [illegible]. [illegible] EC could [illegible] in the [illegible] up [illegible] media to [illegible] down the propaganda which [illegible] fuelling the fighting and the [illegible] EC officials yesterday suggested, a solution to the crisis in Yugoslavia will never be found until Mr Milosevic, his supporters, and the federal army commit themselves in the first instance to a lasting ceasefire.

Competition for the Post Office

THE government's proposals to open the Post Office to more competition have all the makings of a messy compromise. Having decided to further liberalise the mail market, Mr Peter Lilley, the [illegible] industry secretary, [illegible] being too timid. [illegible] required is tougher regulation and much more open competition. Instead, [illegible] UK [illegible] likely [illegible] regulation and limited competition.

[illegible] proposals, which [illegible] the [illegible] Charter, [illegible] uncontroversial. If the [illegible] to meet more demanding [illegible] of [illegible] it will be under stronger obligations [illegible] compensate disappointed customers.

These proposals largely formalise [illegible] which were already [illegible] way. But [illegible] strategy [illegible] doubts in [illegible] government [illegible] attempting to break [illegible] ground. In particular, [illegible] wants to retain [illegible] prerogatives as the [illegible] the [illegible] Office, [illegible] promoting [illegible] interests of consumers.

An apparently independent regulator, dubbed Ofpost, will be created, [illegible] modelled, apparently, on [illegible] bodies as [illegible] in [illegible] telecommunica[illegible] industry.

[illegible] danger is [illegible] Ofpost will prove no more than [illegible] pup[illegible] regulator. It will merely [illegible] secretary [illegible] on how [illegible] his powers [illegible] adjust prices, standards [illegible] service and financial targets. Surely Mr Lilley has [illegible] from Pounc, the statutory post [illegible] users' watchdog, and his [illegible] civil [illegible]vants? It is difficult to see what Ofpost could add beyond political window dressing.

Fundamental problem

The fundamental problem [illegible] that the government [illegible] both the recipient [illegible] surpluses [illegible] Office earns from its monopoly and [illegible] industry's ultimate regulator. These [illegible] separated, with the government handing [illegible] regulator.

[illegible] government seems uncertain about [illegible] the monopoly [illegible] should [illegible] moment it has a monopoly [illegible] priced at [illegible] than [illegible]. The government [illegible] a further contraction [illegible] the protected monopoly [illegible] by lowering the price [illegible] which competitors [illegible] market. [illegible] threshold, which will be decided in negotiations between the Department [illegible] Trade [illegible] Industry and the [illegible] will [illegible] to the price [illegible].

Monopoly profits

But Mr Lilley [illegible] competition will [illegible] be allowed if it could [illegible] the Post Office's ability [illegible] a uniformly priced, universal [illegible]vice. The [illegible] Office [illegible] that it needs [illegible] monopoly profits to maintain a national network, in particular [illegible] subsidise [illegible] making rural [illegible]vices.

[illegible] is an [illegible] by [illegible] monopolists [illegible] protect their position. Admittedly, postal services differ [illegible] communications, where [illegible] in technology [illegible] cleared the [illegible] for competition. [illegible] such technological innovations will transform [illegible] economics [illegible] transporting rural mail.

Even so [illegible] government [illegible] wrong to have [illegible] this ground. [illegible] usually overestimate both [illegible] subsidy they have to make [illegible] loss-making [illegible] and the scope of natural monopoly, where competition is uneconomic. The government should [illegible] these claims rather than [illegible] them [illegible]. Nor can an entirely uniform pricing structure survive [illegible] greater competition and [illegible] growth [illegible] lored to [illegible] different groups [illegible].

It would be better [illegible] acknowledge [illegible] will be [illegible] including possibly the separa[illegible] of [illegible] Office [illegible] into [illegible] main constituent parts: parcels, retail services and [illegible].

[illegible] of the main [illegible] UK has the most efficient postal utility in Europe [illegible] has [illegible] the most [illegible] postal markets. With [illegible] European Commission putting [illegible] finishing [illegible] to [illegible] green paper proposals for liberalising [illegible] postal [illegible] UK [illegible] bolder in [illegible]ting [illegible] in favour of competition [illegible] the [illegible].

After recent scandal, Japan's securities industry will be judged by the standards of Nomura, the top broker, says **Stefan Wagstyl**

Reforms may lead to respect

A [illegible] Securities, the world's largest stockbroking company, could recruit the [illegible] Japan's young people [illegible] ranks. Today, some Japanese parents [illegible] telling their children to keep away.

When companies started their annual recruitment drives [illegible] week, [illegible] found the numbers of young people visiting their offices were down by a third from [illegible] year. That [illegible] just [illegible] of [illegible] damage [illegible] to the reputation [illegible] Nomura and other brokerage [illegible] by [illegible] market scandal.

The affair, [illegible] involves compensating favoured [illegible] trading [illegible] links with a [illegible] and [illegible] cornering of [illegible] humbled the whole industry. [illegible] none [illegible] because [illegible] so great: trading on [illegible] Tokyo stock market was to be the core of [illegible] diversi[illegible] international [illegible] services empire. Nomura planned nothing less than to span the world like a latter-day J P Morgan, to be the embodiment of the financial power which is Japan. Nomura executives dispensed [illegible] like princes – [illegible] the [illegible] Gallery, [illegible] Japanese [illegible] Eton, a grant [illegible] Museum; anything which might [illegible] place in [illegible] pantheon.

[illegible] always something [illegible] illusion. Nomura's [illegible] becoming the [illegible] largest broker owed less to its own skills than to the balloon-like expansion of [illegible] Tokyo [illegible] in [illegible]. Despite [illegible] international trappings, [illegible] profits have never exceeded [illegible] per cent of [illegible].

[illegible] deeply [illegible] core [illegible] trading Japanese [illegible] bonds. [illegible] themselves side-lined [illegible] they [illegible] Tokyo. [illegible] relationships [illegible] always [illegible] – [illegible] with Japanese corporations, financial institutions, wealthy busi[illegible], [illegible] Ministry of [illegible].

[illegible] Tokyo [illegible] community [illegible] long [illegible] relationships [illegible]. It [illegible] suspected [illegible] some of the [illegible] criminal [illegible].

[illegible] of Japan's foreign [illegible] genuine reform [illegible] impossible [illegible] for [illegible] companies [illegible] important [illegible] the expense of the rest; [illegible] because finance ministry [illegible] regulate the [illegible] frequently given senior jobs in the finance industry [illegible] retirement, they [illegible] charges [illegible] cient care of outsiders' interests; that corporate [illegible] exploits the individual and always will.

These charges exaggerate [illegible] which Japan differs from other industrialised countries. New York [illegible] London are not short of companies discriminating in [illegible] of [illegible] clients. [illegible] an element of truth in the allegations. The scandal [illegible] dramatised [illegible] differences [illegible] Nomura now [illegible] chance to make amends. The company is not alone – other Japanese [illegible] and the [illegible] must [illegible] in [illegible] but [illegible] industry leader, and by [illegible] standards [illegible] industry will be judged.

[illegible] stage, [illegible] difficult [illegible] how far the changes will [illegible]. It seems unlikely [illegible] Tokyo will quickly become [illegible] trading [illegible] as London [illegible] New York. [illegible] it [illegible] probable it will be more open than it [illegible] now.

Nomura [illegible] made a [illegible] on the road to reform with the resignations [illegible] Mr Setsuya Tabuchi, chairman, [illegible] Tabuchi (no relation), president, who [illegible] jointly taken responsibility for the [illegible] bolise [illegible] to [illegible] with the [illegible] past, [illegible] the first time gone outside its traditional line of succession and appointed as honorary chairman, 67-year-old Mr Yukio Aida, formerly an adviser to Nomura Investment Trust, the group's fund management affiliate. Mr Aida spent his working life at Nomura Securities and was an executive vice president before being moved into the investment trust company in 1983.

In an interview with the [illegible] Times, Mr Aida made no bones about his commitment to reform. He argued that the origins of the crisis lie in the excessive pursuit of profit of the past five years. The bull market created an atmosphere in which traditional standards evaporated, he claimed.

"Too much of our energy was centred on pursuing profits. We were so successful that we became arrogant not just in our business but in our attitudes to the whole world," said Mr Aida. The line between what was acceptable and what was unacceptable became blurred. "We were not consciously doing wrong. On the other hand we were not unconscious either."

The day after he took office, Mr Aida called a meeting of Nomura's top managers and urged them to remember the company's history and the standards of some former presidents including Mr Tokushichi Nomura, the founder, and Mr Kiichiro Kitaura, head of the company in the 1970s. Mr Nomura's motto, Mr Aida told his staff, was: "Prosper with your client"; Mr Kitaura's was: "A stream of clean water runs through Nomura."

The problem is that Mr Aida has a rosy vision of Nomura's past. The attitudes which spawned the current scandals date back much further than the past five years. Cosy relationships between brokers and big clients have characterised Japanese financial markets since before the second world war. The US Occupation authorities recognised this when they introduced legislation separating broking and banking. Japanese officials at the Ministry of Finance first warned companies about compensating clients for losses as long ago as the 1960s. A directive instructing brokers against buying shares for one favoured client and then recommending the same stock to others dates back to 1974. Members of the Japanese establishment have long looked down on brokers as *kabuya* (barrow-boys) – even if they themselves were raking in the profits from securities trades.

In the US, when securities regulations are broken, companies and individuals are frequently accused and named in public. In Japan few public records exist because the Ministry of Finance prefers to enforce its will by administrative guidance: unpublished exhortations and warnings. So it was rarely possible to prove that a particular company broke or bent the rules – until the current scandal forced admissions from the likes of Nomura, Daiwa, Nikko and Yamaichi, the four brokerages that dominate the market.

Mr Aida says Nomura's executives are now busy planning changes but have yet to decide exactly what to do. The delay is hardly surprising given the scale of the problem and the con[illegible] by the departure of Messrs Tabuchi, who together headed the company for more than 12 years. Branch managers complain that they are getting no hint of what to do from the company headquarters in Nihonbashi, Tokyo. One Japanese fund manager says: "There's great uncertainty at Nihonbashi."

[illegible] plan [illegible] include [illegible] concerted public [illegible] campaign, aimed partly [illegible] foreigners and partly [illegible] the Japanese public, who feel [illegible] ages [illegible] betrayed their [illegible]. Foreigners are important [illegible] Nomura still believes it has to penetrate [illegible] fully [illegible] securities [illegible]. Among other [illegible] stake in Wasserstein Perella, the US mergers and acquisitions specialist. Individual Japanese are important because they still account for about 30 per cent of Nomura's brokerage business. At smaller Japanese brokerages the figure is more than 50 per cent.

But even the persuasive Mr Aida will find it impossible to win over the doubters unless the company also makes serious internal changes. Mr Aida says in-house reforms could include strengthening the Chinese walls (internal barriers) between broking and underwriting, so that cli[illegible] are important to [illegible] underwriting [illegible] do [illegible] get special attention in the broking division.

Mr Aida's remarks [illegible] a [illegible] admission that existing barriers – installed in a much-trumpeted move in 1988 – are not high enough. The need for better Chinese walls is graphically illustrated by the fact that the list of clients which received compensation is topped by the big industrial groups that were also important customers of the underwriting division.

Another move will be the accelerated liquidation of *eigyo tokkin*, fund management accounts which are under the control of the broking division and not an independent fund manager. About three-quarters of the compensation payments involved reimbursements for [illegible] in *eigyo tokkin* accounts.

Whether the reforms succeed, however, depends largely on Mr Hideo Sakamaki, the 55-year-old new president who wields enormous power within the organisation. Mr Sakamaki's strength is also his weakness – he was Mr Yoshihisa Tabuchi's right-hand man. He inherits his former boss's authority. But he is hardly a new broom. Like Mr Tabuchi before him, he worked his way [illegible] through [illegible] branch network.

More important than reforming structures [illegible] reforming corporate culture. Nomura more than other brokerages has bred a disciplinarian work ethic, so tough its employees nickname the company "Noruma" in a Japanese word-play on the Stakhanovite "norm". "That's why this scandal is so bad for Nomura," says a director at a rival Japanese broker. "Nomura people don't have anything else in their lives except Nomura."

There are Nomura managers who realise that even if they can continue to ride roughshod over Japanese private investors (because they rarely complain) the company cannot do the same with foreign institutions and governments. Among [illegible] authorities examining [illegible] US Securities and Exchange Commis[illegible].

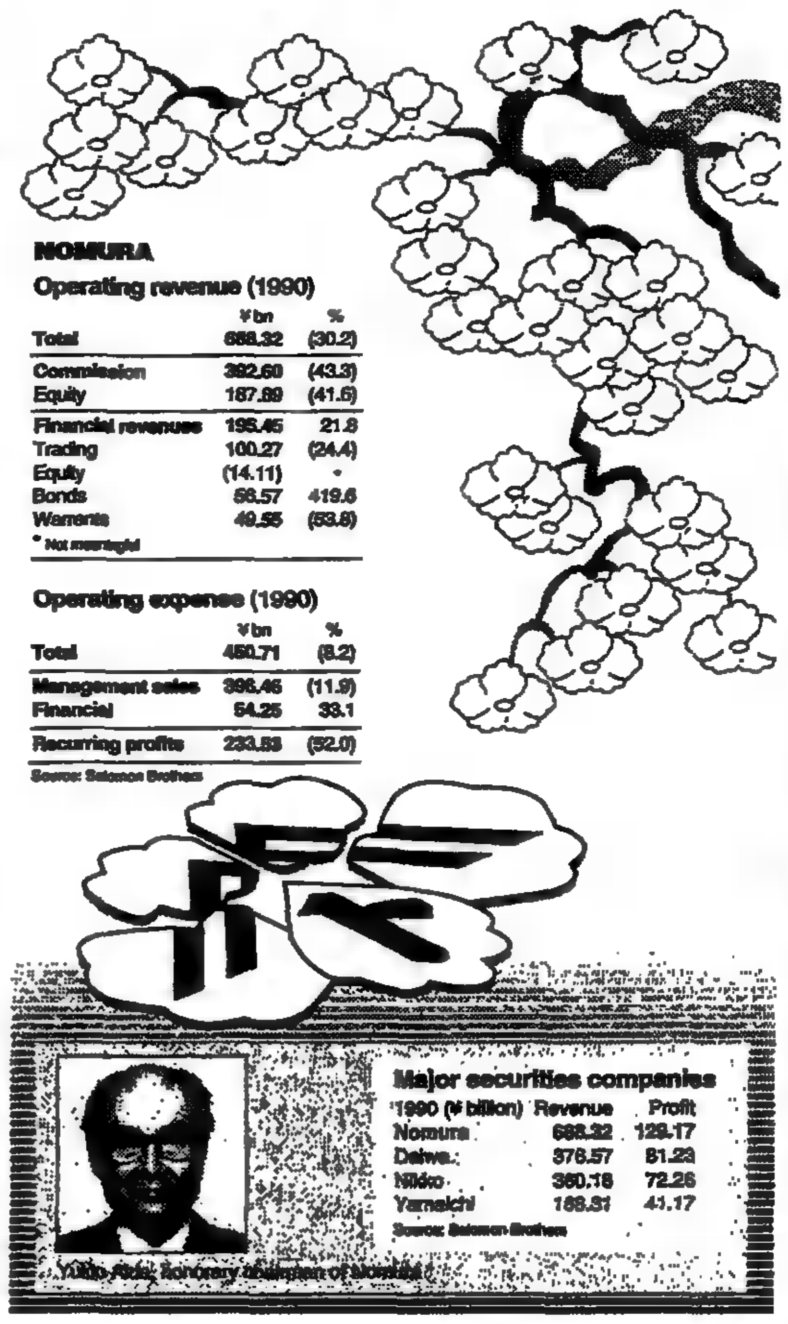
In the recent past it was difficult for the doubters to challenge the orthodoxy of profits at all costs. Mr Aida says that there may have been managers who were concerned about the direction the company was taking. But they were afraid to speak out. "In our society – dominated by corporate loyalties – people don't have the courage to say 'no'."

The damage done to the company by the current scandal could give some of these managers a chance. But many executives will find it hard to change the habits of a lifetime. Also, in the current bear market, Nomura is no longer earning bumper profits. Group pre-tax profits fell 55 per cent in the year to March to Y245bn. For the first time in more than a decade, Nomura is cutting its recruits – from about 1,400 to 1,000. It is a harsh environment in which to start turning away customers on ethical grounds.

The main hope for reform is that external pressure will continue to bear on the company and the rest of the securities industry. The affair has been kept alive so far by judicious leaks of information from the tax office and other sources to newspapers, which have displayed stories prominently. But the disclosures seem to have reached a temporary lull following the publication last week of lists of recipients of [illegible].

[illegible] position of the Ministry of [illegible] is crucial. It has been accused of complicity by allegedly turning [illegible] blind [illegible] to compensation payments in the past. Some of its officials now want to clear their name. The best way of doing that is to enforce reform.

Nomura has enormous resources of money and manpower. It plays a vital role in the Japanese and world economy, guiding the flow of capital from investors to industry. There is no doubt that it will survive the current crisis with most of its strength intact. However, that will not be enough for this proud company. It wants respect. But, as it has learned to its cost, winning respect is quite different from winning business.



NOMURA

Operating revenue (1990)

	¥bn	%
Total	688.32	(30.2)
Commission	392.60	(43.3)
Equity	187.89	(41.6)
Financial revenues	195.45	21.8
Trading	100.27	(24.4)
Equity	(14.11)	*
Bonds	56.57	419.6
Warrants	49.55	(53.6)

* Not meaningful

Operating expense (1990)

	¥bn	%
Total	450.71	(8.2)
Management sales	396.46	(11.9)
Financial	54.25	33.1
Recurring profits	233.83	(52.0)

Source: Salomon Brothers

Major securities companies

1990 (¥ billion)	Revenue	Profit
Nomura	688.32	129.17
Daiwa	376.57	81.23
Nikko	360.18	72.26
Yamaichi	188.31	41.17

Source: Salomon Brothers

Yukio Aida, honorary [illegible] of Nomura

OBSERVER

One more go for Harold

■ It may seem hard to believe, but 81-year old Harold Geneen, the champion conglomerate builder of the 1960's, is back on the acquisition trail again. The man who bought, sold [illegible] merged over 350 companies during his time at the top of ITT, has his eye set firmly on that most unlikely of prizes – the [illegible] German machine tool industry.

Backed by a group of US and German investors, under the grandly-named World [illegible]ery Corporation, [illegible] irrepressible [illegible] hopes [illegible] implement an [illegible] restructuring of part of the industry. Quite why [illegible] to [illegible] is unclear. Associates say he loves a challenge. Critics say he never knows when to quit.

Geneen and [illegible] talked with the Treuhand, the [illegible] privatisation [illegible] about putting [illegible] industry [illegible] on its feet. Talks continue [illegible], though the Treuhand emphasises "this is not yet D-Day". [illegible] is [illegible] only party [illegible]. Although machine [illegible] have [illegible] like the rest of east German industry from the [illegible] transition [illegible] market [illegible] are [illegible] worthwhile [illegible] highly-trained engineers.

Whether or not WMC's bold [illegible] comes [illegible] already impressed the Treuhand. "It's interesting to talk with him", says an official. "He knows what he [illegible]." A [illegible] 14 years after he stepped down as America's most highly paid businessman, Harold [illegible] doesn't sound like he has mellowed much.

Electoral punt

■ With less than a year to [illegible] before the next British general election, [illegible] worth recording what the smart money tells us about the outcome and timing of the event.

On the basis that money is [illegible] real, unlike opinion polls, the betting continues to favour [illegible] hung parliament.

IG Index, the financial bookmakers, is giving the Tories 311 seats, Labour 296, and the Liberal democrats, 24. The odds have [illegible] remarkably steady over [illegible] few [illegible] despite the Tories public relations problems.

March [illegible]. If correct, it will [illegible] only [illegible] second time this century [illegible] there has been an [illegible] in [illegible]. October remains [illegible] away the most popular [illegible] for [illegible]. For what it is worth, the FT's political pundit, [illegible] Rogaly, stands by his forecast of a May battle.

Martial law

■ It's to be hoped Britain's economy model [illegible] will be a bit more stringent than [illegible] some of [illegible] expensive equipment.

A reader who served in the [illegible] sent [illegible] another unit to [illegible] a sophisticated radio device, signing a receipt [illegible] it. [illegible] delivering it [illegible] the terrifying [illegible] who had [illegible] him, [illegible] didn't ask for a signature [illegible] it [illegible] safely.

When the device went missing, the sergeant told him he would be grilled by a board of inquiry, adding: "It's not [illegible] fault, [illegible] so just deny [illegible]rything. I'll be in the room and, [illegible] far I can, [illegible] you."

The private was marched before the board whose chairman, the unit's adjutant, showed him the original receipt and asked: "This has your name on it, did you sign [illegible] yourself?"

After sneaking [illegible] glance at the [illegible], who looked back daggers, the private steeled himself and answered: "No, sir".

There was a long pause, during which the board's members eyed one another grimly, before the adjutant said: "It's as I suspected, gentlemen – a case of forgery."

The private was allowed to [illegible] and heard nothing more [illegible] the matter.

Koito puzzle

■ No wonder the directors of Japanese car parts [illegible] Manufacturing are [illegible]. [illegible] move in the pass the Koito shares parcel does not make sense, unless that is, the parcel is about to be quickly passed on yet again.

It is only just over [illegible] month [illegible] corporate predator T. Boone Pickens gave up a fruitless two year campaign [illegible] influence Koito, and sold his stake back to Azabu Building, [illegible] Japanese property developer which had owned the [illegible] originally. Now [illegible] stake is said to be on the move again, and heading into [illegible] portfolio of a Swedish fund manager.

Even the world's [illegible] fund managers would [illegible] twi[illegible] investing [illegible] in a single stock. Hence, it is hard to accept that the Koito [illegible] permanent resting place, especially since they are equal to more than four times the funds under management of the firm in question. Observer awaits the next move with interest.

Bad break

■ The collapse [illegible] BCCI has brought an [illegible] travel perk [illegible] and [illegible] Deloitte & Touche.

The firm's Toronto and Vancouver [illegible] expertise for the overworked Cayman affiliate winding up BCCI's tangled affairs in the Caribbean tax haven.

However, some ungrateful bean-counters [illegible] heard [illegible]ing into their pina [illegible] the luxurious Hyatt Regency, that the bank regulators really ought to [illegible] timed the seizure of BCCI a little more considerately.

[illegible] all [illegible] if it could have been shut down in January, when [illegible] is [illegible] in [illegible] and [illegible] Cayman [illegible] humid.

Out of fashion

■ [illegible] police have a [illegible] life. [illegible] only do they [illegible] challenge of tracking down anti-government subversives, they must watch out for their T-shirts too.

[illegible] the [illegible] police [illegible] into a factory printing T-shirts [illegible] with "unhealthy slogans" such as "I'm Only Trying To Feed My Family" and "I'm Depressed, Leave Me Alone."

The authorities are said to be unimpressed with the [illegible] T-shirts [illegible] merely copies of imports from London.

Sink or swim at the deep end

Question-marks hang over the future of the mobile telephone industry, says **Paul Abrahams**

One by one, icons of the 1980s have toppled. Champagne sales are flat and Porsche volumes have crumpled. Now, even the mobile telephone – hailed [illegible] great British success story, championed by government as a demonstration of the advan[illegible] competition, and acknowledged as an essential accoutrement – is in trouble.

Three technologies are competing – cellular, telepoint and Personal Communication Networks (PCN).

- Cellular, operated by Cellnet and Vodafone, uses old technology and works by connecting users [illegible] a network of receiving stations.
- Telepoint is a digital system designed to provide a lighter, cheaper and more reliable ser[illegible] than cellular. Its main drawback is that subscribers cannot [illegible] incoming calls.
- PCN is also a digital system aimed at a mass market, which can receive incoming [illegible]

Dark clouds hang over all three rival systems. Call volumes at Cellnet and Vodafone [illegible] slowed and, for the first time, subscriber numbers have fallen. At the same time telepoint has reached a [illegible]. Three of the original four consortia licensed by the government have pulled out after [illegible] taining significant [illegible].

The question for the industry is whether such problems are merely a consequence of recession or whether the sector has simply run out of steam.

The answer is crucial for the [illegible] operators and [illegible] with licences for PCN. Stakes are high. At least £4bn will be required to set up the digital networks [illegible] for PCN and cellular's next generation [illegible] services based on GSM, a pan-European digital standard. The potential rewards – if the early outstanding success [illegible] cellular can [illegible] repeated – nonetheless remain great.

For the government, too, the success of PCN is critical. The technology represents the key [illegible] competition against BT in local telecommunications [illegible].

Doubts [illegible] the mobile [illegible] in 1989 when the government asked companies to apply for PCN licences. Corporations worldwide fell over themselves in the race. The jubilant winners included Mercury PCN, a consortium of Mercury Communications, Motorola of the US and Telefonica of Spain; Unitel, made up of STC, US West, Thorn EMI and Deutsche Bundespost; and Microtel, [illegible]sisting of British Aerospace, Matra [illegible], Millicom of the UK, Pacific Telesis of the US and Sony of Japan.

The victorious consortia were encouraged by predictions of 10m customers by the end of the decade. Their vision was that subscribers would swap their ordinary phones for PCN's pocket-sized personal handsets. PCN would provide a service to people, not places.

But the outlook has changed. The cellular sector is in the icy grip of recession. Last month, Securicor, the UK group which owns [illegible] per [illegible] of Cellnet, reported a 39 per cent fall in its cellular subsidiary's profits. The [illegible] Vodafone from each subscriber has [illegible] from £725 [illegible] £700, [illegible] company said in June.

Moreover, PCN's customer predictions look reminiscent of the forecasts made by the telepoint industry, which projected 13m subscribers by 2000. At the moment, telepoint has fewer than 10,000. The combined losses at the four telepoint consortia are probably near £100m.

But such figures are trifling compared with the financial gloom that [illegible] PCN [illegible] the cellular operators. Installing a [illegible] could [illegible] the PCN [illegible] up [illegible] £1bn [illegible]. The GSM [illegible] that [illegible] and Cellnet will [illegible] will probably [illegible] half [illegible] amount.

In spite of propaganda and postering to the contrary, there has been a distinct failure of nerve since 1989 among many PCN consortia shareholders. A stately game of corporate musical chairs is under way. And nobody wants to be sitting on a PCN licence when the music stops. The bewildering [illegible] oeuvres [illegible] month include:

- BAe acquired the remaining stakes in Microtel from its three fellow founders Millicom, Pacific Telecom and Matra. It then sold Microtel to Hutchison Telecommunications (UK), a subsidiary of the Hong Kong-based Hutchison Whampoa group, in return for a 30 per cent stake in the UK subsidiary.
- Motorola sold its 40 per cent stake in Mercury PCN to Cable and Wireless, Mercury Communications's parent company.
- Mercury PCN and Unitel agreed to merge some of their infrastructure in a move to slice as much as £400m off their setting up costs. Unitel had previously been in merger negotiations with Microtel.

The shareholders' unease is mirrored by analysts who have forebodings about what PCN might do to the groups which have stayed in the sector. They [illegible] considerable problems. [illegible] least, they [illegible] capital [illegible] pro[illegible] and successfully install unproven technology if they are to generate the revenue necessary to fund their borrowings.

All three consortia [illegible] challenge [illegible] hit volume [illegible] quickly. They dismiss any comparison with telepoint's poor take-up by arguing their product is infinitely superior – not least in the fact that it can take in-coming calls – and will be marketed by fast-moving consumer goods experts rather than the telecommunications specialists [illegible] so disastrously by [illegible] telepoint operators.

"The [illegible] will [illegible] won or lost in the marketing," says Mr Alan Harper, business strategy director at Unitel. "The market is congested and there's a serious danger the consumer could become confused about GSM, PCN and telepoint. Investment in branding will have to be substantial."

Although the three companies refuse to divulge their marketing strategies, all acknowledge [illegible] one [illegible] main means of differentiating themselves from cellular will be price. "We will make money out of volume, not high margins," explains Mr John Carrington, managing director at Mercury PCN.

Mr Lawrence Heyworth, an industry observer at [illegible] Securities, [illegible] greatest danger for [illegible] is that they will fall into the trap of the British satellite broadcasting companies, [illegible] ended up investing ever greater sums [illegible] their original investment.

"PCN's business plans just do not add up," says Mr Chris Gent, Vodafone's managing director. "They [illegible] to cover the country [illegible] will [illegible] for low-margin [illegible] subscribers. At [illegible] it will [illegible] 10 [illegible] before the [illegible] are profitable."

However, if successful, PCN could significantly erode the position of [illegible] companies which [illegible] that they are the world's most profitable private sector [illegible] telephone [illegible]. The danger is that [illegible] Cellnet [illegible] Vodafone's margins could be threatened by low-margin [illegible] operators. Both the cellular companies are attempting to respond to [illegible] danger by investing in GSM [illegible] will be cheaper and more reliable than existing cellular technology.

[illegible] will [illegible] cheaper than those for PCN because GSM's wavelength permits stronger signals. With [illegible] stations required to [illegible] the [illegible] Cellnet and [illegible] have nationwide networks well [illegible] the PCN [illegible].

Nevertheless, observers are concerned that the cellular operators could find them[illegible] making a painful transition from low volumes [illegible] high margins to high volumes and low margins. Even if the PCN operators fail, they could hit cellular business hard.

For all groups [illegible] communications business, [illegible] future looks obscure. The crunch [illegible] PCN [illegible] cellular [illegible] the [illegible]. However, Mr Harper at [illegible] questions whether it [illegible] the [illegible] companies that [illegible] from PCN, or BT.

The new wave of technology, [illegible] successful, [illegible] fulfil [illegible] government's [illegible] by eroding [illegible] of [illegible] cent of voice [illegible] and [illegible] monopoly [illegible] networks, [illegible] argues.

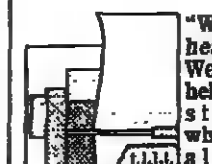
Of course, Mr [illegible] Lamont, [illegible] chancellor, [illegible] the portable telephone [illegible] greatest [illegible] life", [illegible] despair at the thought of [illegible] of [illegible] clogging [illegible] and [illegible]. Nevertheless, if PCN manages to [illegible]fil its potential, it could turn the mobile telephone from a status symbol [illegible] a ubiquitous personal tool.

Further [illegible] digital mobile phone systems in Europe and the US will appear on the technology page this week.

PERSONAL VIEW

Why pressure from Hanson may help ICI

By Paul Marsh



"We're from head office. We're here to help you", is a statement which ranks alongside other great business lies [illegible] "the cheque is in [illegible] post" [illegible] "the [illegible] view". The phrase [illegible] doubtless caused [illegible] ICI. For [illegible] ICI [illegible] tor. The calling [illegible] "We're [illegible] Hanson. [illegible] here to help you."

[illegible] UK's largest [illegible] facturing company. [illegible] is [illegible] world-class [illegible]. Hanson, [illegible] other hand, [illegible] a world-[illegible] of [illegible] bid and [illegible] public [illegible] Hanson acquired [illegible] in ICI.

[illegible] commentators have [illegible] on [illegible] prospect of [illegible] bid for ICI. This [illegible] not surprising, since Hanson's [illegible] ping [illegible] by [illegible] obtaining control. The public [illegible] therefore concentrated [illegible] whether [illegible] bid by [illegible] would help ICI [illegible] (including Hanson), and whether it [illegible] help [illegible].

[illegible] yet emerged; nor [illegible] responded [illegible] suggestions of co-operation. Yet [illegible] co-operation [illegible] bid, Hanson's [illegible] still [illegible] helpful. [illegible] whom, [illegible] how?

First, [illegible] could [illegible] helpful [illegible] management. In [illegible] company, there [illegible] actions management would [illegible] to take, [illegible] compromise. [illegible] especially [illegible] of negotiations [illegible] working practices [illegible] ments. ICI, for example, [illegible] recently announced [illegible] successful conclusion [illegible] with [illegible] unions. [illegible] this was virtually completed [illegible] Hanson's intervention. Yet such negotiations [illegible] when [illegible] wolf, [illegible] common [illegible] door.

[illegible] may [illegible] as [illegible] Hanson's presence is unhelpful to ICI employees. We [illegible] not, however, ignore [illegible] might happen [illegible] the [illegible] of [illegible] sure from Hanson. Large organisations can easily grow [illegible]. Unless there [illegible] a continual drive [illegible] greater productivity businesses become uncompetitive, ultimately leading to job [illegible].

If ICI [illegible] improve productivity, [illegible] will clearly [illegible]. But [illegible] also prove to be [illegible] lyst which helps [illegible] in other ways. It [illegible], for example, [illegible] management [illegible] implement options they might [illegible] prefer not [illegible] companies can [illegible] imperial tendencies. Growth [illegible] full [illegible] trol [illegible] all [illegible] dominions can [illegible] important, [illegible] for [illegible].

[illegible] businesses may [illegible] worth more in the [illegible] joint ventures; [illegible] if refocused, [illegible] off or [illegible]. ICI [illegible] considering such options

> **Hanson's presence may encourage ICI to implement options it might otherwise prefer not to**

[illegible] reorganisation must have gained [illegible] ICI now [illegible] setting higher [illegible] and mentioning [illegible] value more often.

[illegible] an [illegible] question why [illegible] ICI [illegible] rather than exerting [illegible] influence directly? Institu[illegible] talk [illegible] the companies in [illegible] they invest, [illegible] generally they [illegible] cautious [illegible] intervening. [illegible] partly [illegible] ful [illegible] require time, [illegible] and collective action, which can [illegible] difficult [illegible] orchestrate. In [illegible] it [illegible] second-guess [illegible] incumbent management [illegible] already [illegible] which in ICI's [illegible] they [illegible].

Hanson, on the other hand, can more readily exert influence. Unlike the institutions, it [illegible] ready with [illegible] key resource – [illegible] management team [illegible] it [illegible] parachute in. [illegible] to influence ICI thus derives from a credible threat: its ability to launch a fully-fledged bid.

Many have argued that Hanson should be prevented from making such a bid. This view is not restricted to traditional interventionists. It is shared by those who feel uneasy about the prospect of this particular acquisition. There is an important parallel here with democracy. We must defend the [illegible]tem [illegible] though it yields governments which many voters [illegible] not support.

In [illegible] case [illegible] and ICI, we should trust the electorate – shareholders. Certainly if the institutions were faced with a bid for ICI, they would not sell out lightly. There [illegible] simply [illegible] much at [illegible] them [illegible] otherwise – both commercially, since most of the institutions hold shares in Hanson and ICI, and politically.

True interventionists, however, go further. They mistrust the electorate and also dislike the system. For them, a bid for ICI would almost be welcome. This could be their chance to win converts to their view, namely that the UK's free market in corporate control is damaging the national interest.

The evidence from research does not support their case. Share price studies show that, on average, shareholders have enjoyed net gains from takeovers. But research has so far [illegible] reveal evidence of compensating losses to [illegible] interest groups. Takeovers [illegible] value through real economic gains, rather than through [illegible] transfers, such [illegible] in corporate [illegible] price [illegible].

It [illegible] from [illegible] throw sand [illegible] machine would cause shareholders [illegible] on [illegible] gains in efficiency [illegible] might [illegible] enjoyed. [illegible] more importantly, [illegible] would [illegible] credibility [illegible] threat, and the [illegible] which accrues [illegible] shareholders from keeping "managements on [illegible] toes" – precisely the process which [illegible] now going on between Hanson and ICI.

[illegible] is profes[illegible] of man[illegible] and finance [illegible] London Business School.

LETTERS

When standard monetary theory says money stock is demand determined

From Mr Peter Spencer.

Sir, Tim Congdon observes (Personal View, July 31), that [illegible] are now experiencing [illegible] worrying deceleration in [illegible] monetary growth. He [illegible] the government wants [illegible] mitigate [illegible] it should attempt [illegible] this by underfunding [illegible] PSBR (selling [illegible] gilts) and [illegible] idea [illegible] "rooted in standard monetary theory".

However, standard monetary theory [illegible] quite clearly that in [illegible] exchange rate regime such as the ERM, [illegible] demand determined and [illegible] be influ[illegible] by funding [illegible] monetary policy instruments. In [illegible] words, it [illegible] to the [illegible] the general public. [illegible] in the PSBR and offi[illegible] gilt [illegible] exactly [illegible] by external [illegible] counterparts, [illegible] and balance of payments flows. This theory was originally expounded by the philosopher, David Hume.

In case this looks like "doctrinal fussiness", let me say that this model is founded on strong assumptions, which are only likely to be approximated in practice. But we should be clear about what theory says and accept the broad conclusion that there would be a strong tendency for changes in funding to be offset by externals, most obviously smaller [illegible] purchases of gilts. M4 would only be affected to the [illegible] that this affected interest rates, activity or prices and that this encouraged people to hold more money.

Turning now from theory to evidence, it is surely misleading [illegible] that the [illegible] slowdown was the key cause of this recession, since the slump was at its most severe during the second half of last year, when M4 still grew at an annualised 9 per cent. This is in the middle of the range Mr Congdon recommends. It is certainly wrong for him to say that economy-wide monetary [illegible] found in the recession of 1980. The growth of sterling M3, the wide-money indicator used at the time, accelerated from 12 per cent in December 1979 to 21 per cent in April 1981, just as output was stabilising. Broad money growth may decelerate after a steep fall in output, but what use is that to anyone?

Peter Spencer,
Lehman Brothers,
One Broadgate, London

City does not force companies to take short-term decisions

From Mr Andrew Campbell.

Sir, Alan Clements (Management, July 22) and David Diehl (Letters, July 25) offer little to the short-termism debate.

Mr Clements claims to present "the industrialist's case". He says that secondary markets have corrupted the main purpose of the City "as a source of capital", and "the true value of retained earnings is overlooked" by shareholders.

First, the City has raised £340bn in new issues in the past 10 years, providing industry with a plentiful "source of capital". Second, Mr Clements could [illegible] the problem [illegible] undervalued retained earnings by starting a unit trust to invest in such "undervalued" companies. The performance of his fund would quickly demon[illegible] the gap in his thinking.

Mr Diehl comments, "quoted companies are largely forced to produce short-term results to [illegible] happy", and he [illegible] that all [illegible] should go private.

Any chairman [illegible] public company can vouch that [illegible] City does not "force".

We will make little [illegible] unless [illegible] debate focuses [illegible] three questions: do chairmen feel [illegible] in their [illegible]making by the influence of the City?; what [illegible] of the relationship with the City causes chairmen to make short-term decisions?; what practical changes can be [illegible] chairmen [illegible] better [illegible]

Andrew Campbell,
Ashridge Strategic Management Centre, 17 Portland Place, London

Competitive interest rates in UK banking

From Mr Paul Worth.

Sir, Immediately before the BCCI affair hit the headlines, the UK high street banks were coming under increasing attack for their uncompetitive interest rates.

If, as a result of the Western isles and other public bodies having lost funds with BCCI, a list [illegible] "approved banks" should be forthcoming [illegible] the placing [illegible] public funds, it is [illegible] be hoped [illegible] it will [illegible] be [illegible] the UK [illegible].

If base rates fall and banks widen their spreads to take up the slack, the chancellor can expect only the banks and FT-100 companies and the like with their treasury departments to be able to benefit. But [illegible] the [illegible] economy?

The Office [illegible] Trading is apparently [illegible] look [illegible] UK banking, but what of [illegible] Monopolies Commission? It [illegible] one will soon [illegible] buy a pint of beer in the UK at a competitive price – but a [illegible] still [illegible] in Land's End as in John O'Groats.

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34 Avenue de la Porte Neuve,
L-2227 Luxembourg

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Tito's Yugoslavia no less calamitous than other one-party states

From Nora Beloff.

Sir, The FT will not contribute towards "clarifying the ultimate political objective" in Yugoslavia (Foreign Affairs, July 31) if it clings to Titoist imagery and continues spreading the hoary myth that his [illegible] market economy" was "relatively successful".

The record shows, [illegible] the contrary, that in misallocating resources, in infantilising the [illegible] in exacerbating corruption, it was [illegible] calamitous [illegible] any of [illegible] brands [illegible] one-party collectivism now being so painfully eliminated. It was true that during the post-war period, while the peasants were being [illegible] into the cities and provided cheap labour, there was a period [illegible] rapid industrial growth [illegible] comparable to the industrial boom in the USSR under Stalin.

After his breach with Stalin, Tito could depend on the west for unconditional aid and unrepayable loans and, when this dried up in the 1970s, on an influx of petrodollars from western banks and businesses. They had to learn the hard way that Tito's system could not and would not guarantee repayment.

As elsewhere in the communist world, factories produced goods that nobody wanted and workers were – and still are – paid nominal wages for nominal work. Under Tito's dictatorship, mitigated by cronyism, [illegible] intelligent Yugoslav with any professional abilities had to shut up [illegible] out. [illegible]

Not that Robert Mauthner [illegible] by any means the only western reporter to be [illegible] by the façade of self[illegible]. As the distinguished sociologist from Novi Sad, [illegible] Jovanov, wrote, two years before Tito died, [illegible] real life [illegible] at the enterprise level were taken by [illegible]nist-sponsored bosses: the director and his [illegible] the [illegible] of the party and [illegible] union and the chairman [illegible] workers' council. The [illegible] have the job [illegible] getting [illegible] stamp its approval.

Having failed [illegible] a viable economy, Tito was forced to allow a large [illegible]tion of [illegible] real money, for themselves and their country, by becoming guest [illegible] in [illegible] prise [illegible] which no amount of communism could damage, was Yugoslavia's sunshine and natural beauty. Millions [illegible] countrymen [illegible] and loved the country, without knowing anything of the mis[illegible] of being [illegible] receiving [illegible] "rela[illegible]".

Nora Beloff,
11 Belsize Road, London

FINANCIAL TIMES
Monday August 5 1991

Bush administration counters allegations of inactivity and CIA illegality

BCCI set to face more charges in US

By Alan Friedman in [illegible] York

NEW indictments of the Bank of Credit and Commerce International (BCCI) and its top officials are likely to be presented in the US in the next four to six weeks, according [illegible] Mr Richard Thornburgh, the US attorney-general.

Mr Thornburgh [illegible] yesterday he expected the new indictments to cover money laundering and bank regulatory offences and to be handed down "in [illegible] month or six weeks".

He said the indictments would come from federal grand juries that are meeting in Atlanta, Miami, Tampa [illegible] New York.

Over the weekend a key witness in the BCCI affair arrived in New York and is expected to appear this week before [illegible] Senate subcommittee.

Mr Masihur Rahman, the former chief financial officer of BCCI, has been gagged from speaking publicly about the bank since May.

[illegible] Kerry, [illegible] Massachusetts [illegible] foreign [illegible] subcommittee is leading the BCCI investigation in Congress, said Mr Rahman flew from London to New York on Saturday amid concern over his safety.

In May, BCCI lawyers sought an injunction from the High Court in London to prevent Mr Rahman from speaking in public about the BCCI affair. The injunction was not granted formally, but the former BCCI executive gave an undertaking to speak only to the Bank of England, the Federal Reserve and US prosecutors.

These developments came as the Bush administration went on the offensive at the weekend in an attempt to quash allegations [illegible] Intelligence Agency (CIA) [illegible] other US government departments [illegible] investigate the bank scandal.

Mr William Webster, the CIA director, broke his silence on Saturday by insisting the CIA did not use BCCI for unlawful activities, and that [illegible] had reported signs of criminality to other US agencies.

"I believe the American people [illegible] the CIA," Mr [illegible] said, adding [illegible] many of the CIA's dealings with BCCI occurred before he became director in 1987.

President George Bush, also [illegible] for the first time about BCCI, defended Mr Robert Gates, his controversial nominee as the new CIA director, in the wake of charges that [illegible] Mr [illegible] disclose the CIA's links to [illegible].

The charges have come from Mr William von Raab, the former commissioner of customs, who said that in 1988 Mr Gates provided him with a CIA memo on BCCI.

Mr von Raab said that Mr Gates made no mention to him [illegible] CIA's numerous accounts at the bank or its use of BCCI [illegible] operations. The customs chief subsequently learned about the CIA's use of BCCI from UK customs agents.

In reply to allegations that the Department of Justice had sought to impede the investigation of BCCI, Mr Thornburgh, the attorney-general, speaking in an interview with CBS [illegible]vision, said they were "categorically false".

This [illegible] come from Mr Robert Morgenthau, the Manhattan [illegible] attorney who indicted BCCI on fraud charges last week. It has also come from Senator [illegible] Helms, the right-wing Republican, from Senator John Kerry, the Massachusetts Democrat, [illegible] from Mr William [illegible] Raab, the commissioner of customs in the Reagan [illegible]tion.

Bank shutdown, Page 7
Observer, Page 12

Israelis look for peace at a very reasonable price

Yitzhak Shamir has outflanked his enemies, writes Victor Mallet

Shamir's cabinet backed qualified acceptance of peace conference after fears that Israel could [illegible] isolated

[illegible] MINISTERS can hardly [illegible] their [illegible] fortune. They are approaching the proposed Middle [illegible] conference in October armed with the knowledge that they have made only minimal, procedural, concessions to Arab demands and that Mr Yitzhak *Shamir, their prime minister*, does not intend to yield much more ground if and when the talks begin.

Even a year ago, it was unthinkable that Israel and Syria could talk peace unless Israel were prepared to give up most of the territory it won in the 1967 war (as demanded by UN resolutions), but many Israelis now regard "peace for peace" – instead of "land [illegible] peace" – as a real possibility.

[illegible] right-wing coalition cabinet showed its gratitude to Mr Shamir yesterday by voting overwhelmingly in favour [illegible] his qualified agreement [illegible] the conference [illegible]sored by the US and the Soviet Union.

At the age of 75, Mr Shamir [illegible] the trust [illegible] most Israeli Jews. He is seen as mod[illegible] enough to bend to US pressure and to negotiate with [illegible] enemies, [illegible] tough enough to [illegible] any substantial concessions during the negotiations. If the extreme right abandons him, the left will support him.

Eternal Israeli sovereignty over all Jerusalem, including the Arab half captured in 1967, *is regarded* by [illegible] all Israeli Jews as non-negotiable. The most that Israel under Mr Shamir will offer is limited self-rule for Palestinians in the occupied territories and possibly [illegible] compromise – hedged [illegible] with guarantees and demilitarisation agreements – on the Golan Heights claimed [illegible] Syria.

Mr Shamir's strong position in the [illegible] world of Israeli politics [illegible] be [illegible] partly [illegible] the end of the Cold War (which has reduced Soviet support for Syria) and to the allied victory in the Gulf (which weakened the pro-Iraqi Palestine Liberation Organisation).

Credit is also due to the superiority of Israel's diplomatic skills over those of the PLO. Mr Shamir, to loud international applause, phrased his highly conditional acceptance of the [illegible] "yes". [illegible] Palestinians, though, have so far managed to make their arguably reasonable demand for the right to choose their own delegates look like a "no".

[illegible], however, [illegible] lingering fears that their country will be trapped by [illegible] peace conference, and dragged into [illegible] after [illegible]sion by the momentum [illegible] negotiations that follow.

Those fears [illegible] vividly expressed by the likes of Mr Ariel Sharon, the [illegible] housing minister, who was one of only three [illegible] to vote yesterday against Mr [illegible] ment to attend the [illegible].

It is reported that, during the cabinet meeting, Mr Sharon accused Mr Shamir's negotiating team [illegible]. "We've reached an extremely dangerous opening position," Mr Sharon told reporters [illegible]wards. "[illegible] clear to all [illegible] Israel has no capacity to stick to its positions."

However, Mr Arye Deri, interior minister, reflected the optimism felt by the most of the cabinet. The developments of the last year, he said, could not have come about without the assistance of Heaven. Mr Shamir agreed.

More changes likely to US banking bill

By Peter Riddell, US Editor, in Washington

FURTHER changes [illegible] proposals for comprehensive reform [illegible] the US banking structure are likely before the legislation is finalised in October or November. The proposals have been approved by the Senate and House Banking committees, but the votes were so close on several key provisions that further changes are likely.

The [illegible] Banking committee approved the [illegible] – [illegible] remove many [illegible] on banking operations – by 12 [illegible] nine, [illegible] Congress started [illegible] August recess [illegible].

Several senators warned that a number of issues would be reopened when the bill came on to the floor of the Senate, and banking groups gave a mixed reception to the vote.

Nevertheless, in spite of considerable doubts at each stage, a broadly comprehensive plan has survived intense lobbying and manoeuvring in both banking [illegible] now [illegible] likely [illegible] this year.

[illegible] next [illegible] will be fur[illegible] by [illegible] committees, lengthy [illegible] on the [illegible] of both chambers [illegible] a joint conference [illegible] produce an agreed version.

While [illegible] significant [illegible] and [illegible] versions, both mea[illegible] would recapitalise the nearly insolvent [illegible] which guarantees [illegible] deposits by allowing [illegible] borrowing up to $70bn, would permit banks [illegible] set up [illegible] branch networks and [illegible] end the [illegible] on [illegible] banks affiliating with securi[illegible] firms.

[illegible] big [illegible] that, while the House plan [illegible] allow commercial businesses to own banks, in order to provide needed capital, the Senate version would maintain the ban.

Moreover, while the House committee plan would permit [illegible] by [illegible] mid-1990s, the Senate committee version would allow state legislatures to decide whether [illegible] opt out of this.

The insurance industry won a number of battles in persuading the committee to put tight restrictions on the ability of many banks to sell insurance. This led to a qualified welcome from the American Bankers Association, which described the Senate version as "a mixed bag."

A further contentious point was the extent of firewalls dividing the insured deposits of a commercial bank from the activities of its securities or underwriting affiliate.

The Republicans succeeded in easing [illegible] tions, but [illegible] cost of losing [illegible] support [illegible] some [illegible] to reopen the [illegible] floor.

Moscow to drop federal tax from union treaty

By John Lloyd in [illegible] and Chrystia Freeland in [illegible]

MOSCOW has agreed [illegible] drop plans for [illegible] separate federal tax as part of [illegible] series of late changes to the Soviet Treaty of the Union that will give more power to the republics at the expense of the centre.

The treaty, which has completed its tortuous drafting process and will be open for signing from August 20, strengthens [illegible] republics' power over the Soviet cabinet – including having the right to put the leaders of the republics in the cabinet – forces the centre to get agreement from the republics on the rate of issue of [illegible] money and dethrones Russian as the official language.

The concession over [illegible] separate [illegible] tax [illegible] part of a deal worked out last week after the treaty was finally "agreed". [illegible] Mr [illegible] Yeltsin, the Russian president, and Mr [illegible] Nazarbayev, president of Kazakhstan, made [illegible] commitment to [illegible] 10 per cent of their republics' tax take to the centre. The final draft circulated left the clause on tax blank, although it is presumed that the other republics will fall into line with the 10 per cent deal.

However, the ambiguity which infused the earlier drafts over a definite division of powers between the centre and the republics - in particular concerning which property is to be controlled by which level of government, and how much control the republics will have of macroeconomic policy, defence and foreign affairs – remains unchanged.

In some respects this ambiguity is deepened – as when the new draft claims that [illegible] which [illegible] the ground of several republics are property [illegible] union, without specifying by [illegible] criteria the [illegible] and extent of these resources shall be judged.

An expanded cabinet of ministers meeting under the chairmanship of Mr Mikhail Gorbachev at the weekend drew together the heads of all the republican governments except that of Lithuania to discuss emergency measures for gathering in the harvest – which threatens to be poor – and for controlling the spiralling deficits in union and republican budgets.

The leaders agreed that they, with Mr Valentin Pavlov, the Soviet prime minister, would within 10 days work out a package of measures to stabilise the financial and monetary situation – measures which are to be put before the next meeting of the Federation Council, which brings together the republican heads and is now the effective supreme power of the [illegible].

The meeting [illegible] Mr [illegible] optimism in a speech on Friday night when he said that the Ukraine, which will not sign at least the Union Treaty until it agrees its own constitution late this year, would be likely to sign – as would Armenia and Moldavia. He even added the hope that Georgia, Estonia, Latvia and Lithuania – none of which have taken any part in the treaty discussions – may.

Gorbachev's stake, Page 2

Hashimoto pressed to resign

Continued from page 1

securities houses to favoured clients have severely hurt Mr Hashimoto, previously seen as an almost certain prime minister.

He had initially argued that his ministry was in no way responsible but then admitted that its supervision had been "lax" and took a 10 per cent pay cut for three months. However, he still finds himself on the defensive.

Mr Toshiki Kaifu, Japan's prime minister, had called the special parliamentary session in an attempt to push through bills on political reform.

It had been assumed that the controversial proposals would either be stalled or heavily diluted, but they are now overshadowed by the politics of scandal.

UK rejects uranium charges

By Ralph [illegible] in London

MR PETER LILLEY, Britain's trade and industry secretary, yesterday denied claims that the UK had exported large quantities of uranium suitable for making nuclear weapons as the Labour opposition accused the government of stifling debate and of hiding "skeletons in its cupboard".

Less than 100kg of depleted uranium had been included in a 8.6 tonne consignment identified in customs statistics disclosed at the weekend, Mr Lilley said in a radio interview. The rest comprised medical or industrial isotopes, lead protection and dry ice.

His attempt to defuse the latest political furore over exports to Iraq before its invasion of Kuwait a year ago came as Mr Roy Hattersley, deputy Labour leader, launched a campaign against what he described as "the arrogance and complacency" of the government.

The government "[illegible] the right [illegible] rule [illegible] or criticism, and [illegible] in its cupboard which it [illegible] mined to keep [illegible] away," [illegible] in a speech.

The prime minister had responded [illegible] Bank of [illegible] and Commerce International or about exports to Iraq by accusing Labour of "muckraking". Mr Hattersley [illegible].

Mr Chris Patten, the Conservativ party chairman, responded: "Without principles and [illegible] policies, Labour are going to go in for a lot more of this sort of thing."

The Department [illegible] and Industry is expected later this week to pass to the House of Commons' trade and industry select [illegible] exports [illegible] Iraq.

[illegible] Brown, [illegible] trade and industry spokesman, wrote again to Mr John Major over the issue yesterday, (Sun), saying the prime minister had a responsibility [illegible] answer "without further delay" his [illegible] questions.

In his interview, Mr Lilley said the depleted uranium, as distinct from natural uranium, sent to Iraq had had most of the valuable material removed.

It had been sent in six cameras used in the oil industry for detecting leaks in pipes. The Iraqis had returned some in the past for restoring.

"If they [the Iraqis] were [illegible] uranium [illegible] – which is, frankly, [illegible] a wholly [illegible] – [illegible] wouldn't [illegible] shipping them [illegible] and [illegible] nuclear [illegible] put in them [illegible] use down the [illegible]. They [illegible] be asking [illegible] cameras," he said.

Message of the money numbers

By Anthony Harris

An age ago, long before I gave up shaving, there used to be a shaving stick advertised with the slogan "Not too little, not too much, but just right". The name got away years ago, but the slogan has stuck (which says something about advertising), and it has been running through [illegible] head again because of the current debate about monetary policy.

All [illegible] the world, this [illegible] to be taking the same [illegible] pragmatic policymakers congratulate themselves on beating inflation, but the *monetarists – long known as* the hard men of any policy debate – say that deflation is being overdone. Their evidence is not the recession, but the slow rise in the money numbers. This used to be too much; now it is too little. They want it just right.

Their argument [illegible] not made very much noise in this country, because there never has been more than a handful [illegible] here – and only a handful, it seems, who ever really unde[illegible] monetarist proposition [illegible] the first place. A mere half [illegible] of them signed the famous cautionary letter last year after Britain joined the ERM; and although their warning looks prophetic at the moment, only two have sustained their Jeremaiads.

Professor Gordon Pepper issues periodic warnings [illegible] a debt deflation (we will come to that later); and only Professor Tim Congdon issues pretty constant bulletins about inadequate monetary growth. In the US, he would be one of [illegible] crowd – again, of previous hardliners. It is the brokers' [illegible]lysts who were the most persistent bears about inflation, and the regional [illegible] presidents who fought one rearguard action after another against any relaxation, who now say that policy is too tight.

The ever-receding light at the end of Mr Norman Lamont's tunnel, and the constant disappointments about the US recovery, surely suggest that these warnings deserve a hearing. At least they are based on something more than prejudice seasoned with blind hope. The money numbers are indeed trying to tell us something – a message bleakly spelt out last week by Sir John Quinton of Barclay's Bank and Mr Brian Pearse of Midland. Money and credit are now growing sluggishly because the banks are too scared to lend.

Most American banks are in the same state of mind, as again can be seen in the money numbers. Mr Alan Greenspan, the Fed chairman, calls this a credit crunch, and [illegible] that it is not yet over. He has tried to offset the effects by relaxing policy repeatedly, and is now expected to do so again. This has not yet fully solved [illegible] problem, but at least there are now clear signs of recovery [illegible] discuss.

In the UK, where the authorities refuse to admit that the problem exists, there are signs which are clear to everyone except Mr Lamont that it will be at least nine months [illegible] any recovery begins.

Monetarism, even sceptics might conclude, is like democracy: the worst guide to policy you could imagine, except for [illegible] alternatives, and certainly [illegible] the seats of the eminent trousers in Threadneedle Street. Wait a minute, though.

The state of the economy is pretty easy to observe. It's like a barometer – a not very reliable indicator of future conditions but better than none

It didn't work very well (*pace* Professor Congdon) when we actually tried it; and the Fed, too, lost faith in the money numbers when it was trying to control them.

The reason was explained during the experiment by yet another professor. Charles Goodhart was at that time a plain mister, in charge of financial economics [illegible] the Bank of England. Goodhart's Law, as you will remember, was that any money number lost all economic significance within six months of any effort to control it. Now we are seeing [illegible] inverted: [illegible] money numbers regain their meaning in a period (uncertain, but longer than six months) after you stop trying to control them.

This question of monetary control is the one which always was begged by the monetarists. Their propaganda always suggested that there was some straightforward activity, known as "controlling the money supply", which was all that anyone needed to know about running the economy. This is logically equivalent to defining driving skill as the art of "controlling the speedometer". This idea is liable to tempt the ignorant to respond to any alarming reading by breaking the glass and grabbing the needle: All this will do is wreck the speedometer.

Indeed, if the money supply was no more than a speedometer, no one would bother to read it. The current state of the economy is pretty easy to observe. It is much more like a barometer – [illegible] not very reliable indicator of future conditions, but better than none. Its readings can reflect [illegible] host of forces – the state of government finances, the level of confidence in the currency and its foreign exchange rate, the pressure of credit demand in the outside world, and the level of banking technology. It takes deep analysis to read it rightly, let alone to address any problems which [illegible].

Its central message, though, is about financial confidence; *and here it is much more telling* than the level of the stock market [illegible] when trading is thin), or even the trend of house prices, which it is currently fashionable to target. This is what the Fed has clearly understood. Its cuts in interest rates were explicitly meant to allow the banks room to widen their margins, in the belief that [illegible] bank with fat margins would feel much more comfortable about marginal risk than [illegible] bank under pressure – [illegible] simple enough cure for [illegible] crunch.

The UK government, which refuses to recognise [illegible] problem, let alone understand [illegible], treats any attempt to widen the spread between borrowing and lending rates as anti-social, and [illegible] them instead of allowing them headroom.

Small wonder that UK banks remain [illegible] and retreat into their [illegible]. Sir John Quinton frankly admits that this will prolong the recession; perhaps his blunt statement will get the message through the smokescreen of complacent advice through which ministers have to peer. Otherwise we may soon stop discussing late recovery and slow monetary growth, and confront debt deflation and monetary implosion, as [illegible] by [illegible] Pepper.

WORLDWIDE WEATHER

		°C	°F
[illegible]			

Temperatures at midday yesterday C–Cloudy [illegible] F–Fair [illegible] H–Hail R–Rain [illegible] T–[illegible]

FINANCIAL TIMES
COMPANIES & MARKETS
Monday August 5 1991

INSIDE

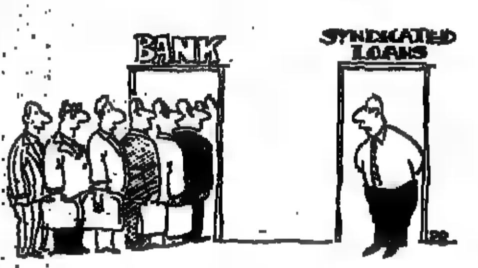
HK investors suffer boom-town blues

Hopes that plans for Hong Kong's new airport would lead to sustainable growth, renewed interest in the property market and a building boom boosted share prices of construction companies last month. But the optimism was short-lived as investors began to realise that government contracts for non-airport work will take time to come through. Angus Foster reports. Page 17

Airedale records £118m loss

Despite a pre-tax loss of £118.8m ($200m) at Airedale, the private holding company for the Imperial Kitchen retailing business, Mr Lindsay Hartwell was cautiously optimistic about future trading. Daniel Green reports. Page 18

Syndicated lending on the wane



UK Companies are increasingly rejecting syndicated loans in favour of bilateral agreements with relationship banks for standby financing. As a result, foreign banks with strong credit ratings, such as Deutsche Bank, are enjoying an increasing share of the market. Page 19

Good news from bad

There was bad news for investors in Atlantic Computers last week: only a modest dividend is planned for the once high-flying computer leasing subsidiary of collapsed British & Commonwealth. But the fact that a dividend is even being paid should hearten most creditors. David Owen reports on the administrators' progress. Page 18

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Usinor aims for British Steel link

By Charles Leadbeater, Industrial Editor

USINOR SACILOR, the French state-owned steel producer, has proposed a joint venture with British Steel which could eliminate the need for the UK group to invest more than £400m in a new plate-making mill.

The French group, which is Europe's largest steelmaker, wants to pool its plate-making operations with British Steel in a company that would dominate the European market.

The joint venture would be one of the most significant cross-border deals in the European steel industry. A proposal from Usinor Sacilor to form a joint venture company presents British Steel with a difficult dilemma.

It recently announced plans to close its plate mill at Dalzell in Scotland and build a new plant on Teesside. Such a plant would cost over £400m, more than British Steel's annual investment budget of £350m, at a time when the group's profits are under pressure from both falling volumes and prices.

The planned investment is regarded by other European steel producers as a gamble given there is already overcapacity in the plate sector. Europe has a plate-making capacity of 10m tonnes a year, but annual demand is running at about 8m tonnes.

The joint venture being considered by Usinor would eliminate the need for such an investment by modernising existing plants at a much lower cost. The French group first approached British Steel two years ago with a proposal to pool plate-making activities.

The main obstacle to a deal would be British Steel's insistence on majority control of such a venture. It does not want to cede management control to a public sector group.

However, Sir Robert Scholey, British Steel's chairman, said last week at the company's annual general meeting that the group wanted to participate further in the cross-border restructuring of the European industry. A joint venture would pool British Steel's 1m tonnes a year potential capacity with Usinor's plants at Dunkirk in northern France and Dillinger in Germany which together produce about 2m tonnes.

British Steel has a strong position in the North Sea oil industry market for wide-diameter, welded pipes made from plates. A deal with Usinor could give it a much stronger continental European presence.

NYSE wakes up to the problem of early trading

Patrick Harverson in New York reports on the row which forced the exchange to delay 9am opening

THE New York Stock Exchange's ambitious plan to establish round-the-clock trading by the end of the decade has run into some early setbacks.

Last week, in an embarrassing climbdown, the NYSE postponed plans to start trading half an hour earlier because of opposition from rival exchanges and US broking houses. On top of this, trading in the extended late trading sessions launched by the NYSE in June have been a disappointment, with the investing and broking community displaying little interest in trading stocks after 4pm.

The initiatives for extended trading were the first steps on the road to a 24-hour market in US and international equities. They were also part of a wider campaign aimed at capturing business lost to exchanges abroad (especially London) and electronic trading systems at home, and persuading foreign investors to use the Big Board more often. The recent setbacks, therefore, are a big blow to the Exchange's prestige.

The postponement of a 9am opening – originally scheduled for September 9, but now delayed indefinitely – was particularly damaging because of the attendant suggestion that the NYSE had failed to consult fully with members before unveiling its early trading plan.

The exchange said it had consulted members before launching the plan, and garnered support for the idea from firms representing more than 50 per cent of its daily volume. Yet the consultation was primarily restricted to heads of some of the top securities houses. Few of the foot soldiers in the business – the brokers and salesmen at the securities firms and the traders who work the NYSE's trading floor – were consulted.

Resentment over this, and opposition on Wall Street to early trading, forced the exchange to back down last week. The plan for early opening is now on ice, pending a more detailed review of "customer attitudes".

The idea of early trading has met resistance because it would force market professionals – particularly those on the West Coast who are three hours behind New York – would have to work longer hours to drum up demand that few believe exists. Moreover, securities firms say that an early start will give them less time to brief their staff and advise clients before trading opens.

The NYSE, however, says that early trading will give investors, especially those overseas, greater access US and foreign stocks in the auction market.

While there is no hard evidence that investors want to buy and sell shares early in the morning, some brokers and dealers believe the idea. Wall Street professionals have long complained that they cannot deal in NYSE stocks until an hour after US economic reports are released every day at 8.30am, by which time other financial markets have had time to react.

The exchange has also been quick to point out that when it began late trading in June – a move aimed at winning back business lost to London – critics said it would fail as most overseas trading of US stocks was done before New York opened. The late opening plan was partly a response to those criticisms.

Yet not everyone on Wall Street believes an extra half hour tacked on at the start of the day makes much difference. Industry analysts estimate that anything between 15m and 30m shares (about 10 to 20 per cent of current daily volume) are traded every day outside the NYSE. Business is conducted away from the Big Board – either in London or on off-exchange electronic trading systems – because it is cheaper and less burdened with disclosure regulations. Keeping the NYSE open for longer does nothing to alter that appeal.

This view is backed by the experience that the NYSE has had with its new post-4pm trading sessions. While late trading was launched on June 13, daily volume in the two crossing sessions (one is for orders in individual stocks, the other for trades in baskets of stocks) has averaged a meagre 1.1m shares. On some days, there have been no basket trades at all.

The NYSE is putting a brave face on the lack of business during late trading. "It is way too early to tell (if the sessions have been a success)," says Mr William Donaldson, chairman of the NYSE. He also says winning new business from overseas markets, not retrieving trades lost to London, is the NYSE's objective.

Yet this does not tally with the exchange's ambition to grant institutional customers using the crossing sessions exemption from normal reporting requirements. The NYSE took a lot of flak over the exemption, something that was clearly tailored as a reaction to the relaxed disclosure standards in London.

One of the main reasons for the lack of demand for late trading has been the rule "fill-rate" orders. During the two sessions trades, can only be completed when buy orders are matched by sell orders. Yet, according to Wall Street's brokers, not enough trades have been matched to justify customers placing their orders after 4pm. The fact that many orders are left unfilled each day has been a big disincentive to potential late traders.

The imbalances with early and late trading at the NYSE have left other US exchanges twisting in the wind. Because of the NYSE's dominance, the smaller exchanges have to shape their trading hours to fit those of the Big Board. If they do not, the exchanges face losing business to their larger rival if extended trading does prove successful.

The American Stock Exchange (ASE) has followed the NYSE at every step. When the NYSE unveiled plans to open early and close late, the ASE immediately revealed similar proposals. The ASE, undeterred by the poor response to late trading at the NYSE, will begin late trading today. However, it has shelved plans to open earlier. The ASE will wait and see what the Big Board does before committing itself to further change.

Nasdaq, the over-the-counter market run by the National Association of Securities Dealers, the Pacific Stock Exchange in San Francisco and the Chicago Board Options Exchange (which trades stock index futures and options), are in a similar situation. They have publicly opposed the idea of early trading. But if the NYSE goes ahead with its plan for 9am opening, they will follow suit.

Early bird: the New York Stock Exchange believes that 9am opening will win more overseas business for US traders

Retailer sells TV interests in £45m deal

By George Graham in Paris

W.H. SMITH, the UK retailing group, is to sell its television interests – which include the European Sports Network – to a Franco-American consortium.

The consortium is made up of Canal Plus, the French paid-for television channel; ESPN, controlled by Capital Cities/ABC, the US communications group, in partnership with Hearst Corp; and Générale d'Images, the television subsidiary of France's Générale des Eaux water and services company.

The deal, worth £45m (including) channels on the Astra 1A satellite. They are W.H. Smith's European Sports Network, which claims to reach 26m households in the UK, Scandinavia, the Netherlands, France and Belgium, and Lifestyle, a women's interest channel reaching 10m households.

W.H. Smith announced its intention to dispose its television interests in May, in a plan to concentrate on retailing. In March of the following year it said it would sell its travel interests and called on shareholders to subscribe to a £148m rights issue, the first in the company's 200-year history.

The television deal was originally expected to raise £65m. After negotiations, however, W.H. Smith decided to keep its 18 per cent stake in Yorkshire TV, the British independent broadcaster, which did not particularly interest Canal Plus, Générale d'Images or ESPN.

The Canal Plus/ESPN consortium will also acquire W.H. Smith's Cable Jukebox service and four production service companies: Molinare, Visual Mobile, TSI and Digital Pictures.

W.H. Smith is estimated to have invested as much as £80m into television since it first ventured into the sector in the 1980s. However, satellite and cable broadcasting have been slower to take off in Europe than the group had expected, and it was still some way from breaking even.

Canal Plus operates Europe's most successful pay-TV station in its domestic French market, but it has almost reached saturation point at home with more than 3m subscribers.

It wants to develop pay channels in other countries and, together with Générale des Images, it had already bought stakes in continental affiliates of European Sports Network.

The French group also aims to develop its portfolio of theme channels, a segment of the television business which is showing faster-than-average growth.

Economics Notebook

Budd rides into stormy weather on official forecasts

THE recent poor performance of the British government's economic forecasts will be high on Professor Alan Budd's list of priorities when he moves from Barclays Bank to be the Treasury's chief economic adviser early next month.

The Treasury's failure to forecast the boom of the late 1980s and the depth of the recession over the past 18 months have attracted the scorn of many economists and raised the hackles of the influential all-party Treasury and Civil Service Committee of MPs.

But there also seems to be a growing feeling that UK economists and commentators have become too fixed on forecasting. The Treasury and Civil Service Committee recently called for evidence on official forecasting from the Treasury, the Bank of England and other interested parties. Some of the memoranda it received were marked by scepticism.

Professor Wynne Godley of King's College Cambridge said it was his "strong impression" that neither the Treasury nor any of the other main economic modelling teams had made progress with their forecasting "during the past 10 or even 20 years".

Mr Michael Hughes, head of the economics and strategy division of BZW, the investment house, deplored the positive quantitative economists have attained. "They have been allowed to overshadow the analysis of the main economic forces at work and the overall economic strategy of government."

Mr Brian Reading, a special adviser to the committee, gave a lively account of how forecasts are made, which casts considerable doubt on the value of official forecasts.

"All forecasts are fiddled," he said. Forecasting models are dependent on the quality of the numbers fed into them, while the equations in such models never worked perfectly and included errors.

"The forecaster must guess whether errors will get bigger, smaller or stay the same. This requires judgment. Secrecy restricts the task of preparing Treasury forecasts to a limited number of officials. They are more familiar with statistics and econometrics than with business. Their 'objective' uninformed guess when fiddling the forecasts, lack experience upon which they base their judgment is narrow."

No one can accuse Prof Budd of narrow experience. Although he first rose to prominence as an economic forecaster, he has pursued a wide range of interests as an academic, treasury official and bank economist.

He is also aware of the pitfalls of forecasting. Just before his new job was announced, Prof Budd was heard to admit that a year ago he had forecast 1.5 per cent growth for the UK this year. Now he says the economy will contract by about 2 per cent. This is the biggest revision in his 20 years of making forecasts.

Prof Budd will doubtless be turning his attention to the development of the Treasury's forecasting model once he is installed in the chief economic adviser's office. But he is unlikely to lose sight of bigger issues of economic policy and strategy.

Export Risks

With the British economy attracting so much attention, it is easy to forget that the Treasury's chancellor have their share of foreign policy responsibilities.

Last week, for example, Mr Norman Lamont visited Moscow and Kiev to pursue the recent London summit decisions to help the Soviet Union integrate into the world economy. At the summit there was discussion – albeit brief – of a long-standing Treasury initiative the proposed Trinidad terms to ease the official debt burden of the world's poorest developing nations.

Another foreign economic policy issue has been highlighted in the latest Treasury Bulletin. This is the UK's bid to persuade other trading nations to apply the rules of the General Agreement on Tariffs and Trade and operate export credit schemes on an unsubsidised basis.

The matter sounds arcane. But large amounts of taxpayers' money have been lost though governments guaranteeing export credits to countries that have been unable to repay them. Earlier this year, the Paris Club of western creditors agreed to write off half of Poland's debts (£18bn) official debt. Most of that debt was owed to official export credit agencies.

The Polish deal cost Britain some £750m ($1.2bn) and a similar agreement with Egypt a further £300m. In addition, the UK's Export Credit Guarantee Department (ECGD) lost the exchequer a net £600m in 1989-90 due to losses. This compared with UK expenditure on development aid of about £1.6bn in the same period.

The government has decided the ECGD to charge more realistic insurance fees and to be more cautious when extending commercial credits to nations which are heavily in debt. Chancellor Lamont will be urging other countries to follow suit in the months ahead.

The Organisation for Economic Co-operation and Development has pointed out that Britain is not alone in suffering large losses on insured export credits. In 1990, the French government took $2.6bn (£1.5bn) of loan write-offs which came through the insurance of export credits by Coface, the French equivalent to the ECGD.

By the middle of last year, the 24 nations of the OECD had guaranteed medium- and long-term export credits worth $225bn. In a worst case scenario, this huge sum could be shifted to public sector budgets in the event of default.

But the tendency to default has grown. The OECD reported that net outflows from the export credit agencies increased from just [illegible] in 1981 to $9bn in 1988.

Memo to Mellor

For some years, Professor Andrew Likierman of the London Business School has been waging a dogged campaign for better information about the way the UK government spends money. He has been partly responsible for the evolution of the annual public expenditure policy paper from a dry tome into a series of individual reports from the various government departments.

Prof Likierman has just published his analysis** of whether the new reports are getting more information across to the public. His main message to Mr David Mellor, chief secretary to the Treasury, is that the increased information in the reports is welcome. But the greatly increased cost of the reports is limiting their readership.

*Memoranda on Official Economic Forecasting, Treasury and Civil Service Committee, House of Commons, Session 1990-91, HMSO, £19 from HMSO.

**The Government's Departmental Reports, £9.95 from the Chartered Association of Certified Accountants, 29 Lincoln's Inn Fields, London WC2A 3EE.

Peter Norman

FT index to be published at 8am

By Daniel Green in London

PUBLICATION of the FT-SE 100 index, the most widely used measure of performance of the London Stock Exchange, is brought forward by half an hour to 8am from this morning.

For the first half hour, the index will be not be based on firm prices. Though share trading can begin at 7.30am, marketmakers are not obliged to publish prices until the market opens officially at 8.30. The "pre-index" is based on the latest available prices and, where prices for a stock are yet to be quoted, the previous day's close will be used.

The change is the latest stage in satisfying demand for early-morning trading services. In March 1990, the Stock Exchange changed the market's opening hours to 8.30am-4.30pm, against the previous 9am-5pm.

The change is part of a trend to longer trading hours seen in other world equity markets, partly due to international competition for business. It also comes in response to the lower levels of trading volume seen in London in the period since deregulation, which has put pressure on the profitability of broking houses.

The FT-SE 100 index, or Footsie, is an average of the share prices of the biggest 100 stocks quoted on the London Stock Exchange, weighted by market capitalisation. It is also used as the basis of UK equity futures. Starting from a base of 1,000 on January 3, 1984, the FT-SE was introduced to provide a wider measure of share price performance than the formerly pre-eminent FT 30 index.

COMPANIES AND FINANCE

Interest charges push up Airedale loss to £119m

By Daniel Green

AIREDALE, the private holding company for the Magnet kitchen retailing business, incurred a pre-tax loss [illegible] £118.8m for the year to March 31. Operating losses at Magnet [illegible] compared with £24.6m over the previous nine months, on turnover of [illegible] (£194m). There is no dividend.

Mr Louis Sherwood, chairman, [illegible] "cautious optimism" on trading. He added, however, that "there is no clear indication that the current slump in the economy is bottoming out".

[illegible] result of a £630m management buy[illegible] in July 1989, [illegible] (£557.3m) [illegible] bankers. Its interest charge has jumped to £95.3m, from the nine month figure of £51.2m.

Since a financial restructuring last [illegible] payments have been rolled up. The [illegible] wholly repayable within [illegible].

Closure costs of £59m pushed Airedale's negative net worth to £453m. But Magnet, which is shielded from [illegible] parent's debts, [illegible] in [illegible], stock and property. [illegible] no borrowings.

As part of [illegible] agreement with its bankers, [illegible] cannot pay interest or pay down Airedale's debt until [illegible] has [illegible] a positive [illegible] balance of £30m for the following [illegible] months. Under [illegible] circumstances, the board of Magnet would [illegible] dividend to Airedale which could then make the payments.

The next formal re-examination by the company and bankers of the terms of the loans is in [illegible].

£24m injection for Direct Line

By John [illegible]

ROYAL [illegible] Scotland has expanded the capital base of Direct Line, its insurance subsidiary, by 50 per cent.

A cash injection of £24m means that Direct Line now has a capital base of £62m.

[illegible] Line [illegible] only arm of the bank to [illegible] profits this year, although the improvement [illegible] marginal (from £3.5m to £3.7m). It has pioneered direct selling, which allows insurance companies to cut distribution costs considerably, usually leading to lower premiums.

The telephone sales approach [illegible] with allowing [illegible] Line [illegible] expand, against the trend for the British insurance industry. Premium income in the year to September 30 last was £84.1m, and the Royal Bank [illegible] this to increase by around 50 per cent this year.

[illegible] injection [illegible] Royal [illegible] Direct Line's expansion.

CROSS BORDER [illegible] DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
[illegible] Investment Management (Sweden)	[illegible] Manufacturing (US)	[illegible]	Est [illegible]	[illegible] surprise [illegible]
[illegible] Industries (UK)	[illegible] Technologies [illegible]	[illegible]	[illegible]	Complements [illegible]
Fortis (Holland)	Unit [illegible] Benefit [illegible]	Insurance	Max [illegible]	First [illegible] in buying campaign?
[illegible] Tres (Spain)	Lilley (UK)	Construction	£24m	[illegible] needed [illegible]
Chocolate [illegible] (Holland)	Sapori (Italy)	Biscuits	n/a	Sale by Allied-Lyons
TNT [illegible] + five [illegible]	GD [illegible] (JV)	Delivery services	[illegible]	[illegible] for TNT
International consortium	Independent [illegible] (JV)	Energy	n/a	[illegible] game increasingly popular
Midlands Electricity [illegible] (US)	Midlands [illegible] (JV)	Energy	[illegible]	[illegible] for [illegible] Gas
Pilkington (UK)	[illegible] Isolant [illegible] (France)	Glass	[illegible]	First significant [illegible] move
Laporte (UK)	FMF [illegible] (US)	Feed [illegible] preservatives	n/a	Laporte devlpg taste [illegible]

Source: FT Mergers & Acquisitions International

SD-Scicon's UK profits record under fire

By Richard Gourlay

ELECTRONIC Data Systems, the subsidiary of General Motors bidding for SD-Scicon, has attacked the computer ser[illegible] company's UK profits record and questioned whether the current board can manage its recovery.

SD-Scicon's UK profits, margins and sales fell in the first half of 1990 as had profit margins at GFI, the French subsidiary, EDS told shareholders in a circular following last week's increased and final offer.

EDS bought a further 8 per cent of SD-Scicon on Wednesday, raising its stake to about 32 per cent, after lifting its offer to 60p per ordinary [illegible] an improved bid that values the company at £162m.

Mr John Jackson, the SD-Scicon chairman, advised shareholders not to sell out to EDS but to "come along for [illegible]".

If the EDS bid failed, leaving the US group with a third of the company, it was unlikely the shares would fall below the 30p level they reached earlier this year before the bid, he said.

UK profit margins had fallen from [illegible] in the six months to June 1990 to 1.2 per cent a year later, EDS said. In France margins had fallen 1 percentage point to 6.4 per cent.

The US company questioned whether SD-Scicon was a "software company still in decline". It doubted the "old guard" of executive directors, who over[illegible] in profits in 1990, had the [illegible] competence to deal with fixed-price contracts where costs are difficult to control.

SD-Scicon admits management mistakes were made and that margins in the UK and France could improve. But it says the latter is the reason why the company has recovery potential for shareholders and the £14m profit forecast for the full year is [illegible] attainable.

"The strength of the turnaround is enough to see this bid off at the higher level," a spokesman for SD-Scicon said.

The good and bad news for creditors

David Owen updates the situation at fallen Atlantic Computers

MR JOHN SODEN of Price Waterhouse has some good news and some bad news for the creditors of Atlantic Computers.

The bad news [illegible] that their dividend will be [illegible] is unlikely to exceed a few pence in the pound. The good [illegible] is that there definitely will [illegible] dividend. "[illegible] early stages, it looked like there might be nothing at all," he says.

Mr Soden and his colleague, Mr Peter Padmore, are now well into their sixteenth month as administrators of Atlantic, the once high-flying computer leasing subsidiary of British & Commonwealth, the financial services group which collapsed itself some six weeks later.

Just two weeks after their appointment, they said that claims against Atlantic could total [illegible] £500m and £1bn [illegible] that [illegible]tion would "run right through the 1990s." Though the spotlight will only switch to claims – in accordance with formal requirements – once the main Atlantic companies have been [illegible] into liquidation [illegible] months from now, Mr Soden currently sees little reason to revise either statement.

The following points emerge [illegible] the administrators' latest [illegible] creditors of [illegible] Computer Systems (ACS), the principal UK subsidiary, and Atlantic Computers (ACP), the main holding company. Both are dated 25 July [illegible].

- The Department of Trade & Industry investigation into the Atlantic collapse is continuing and the administrators understand that inspectors have yet to submit a formal report. It was announced last June that DTI inspectors had been appointed under Section 432 of the 1985 Companies Act.
- The administrators have still not decided whether or not to pursue legal claims on behalf of Atlantic in "a number of areas concerning the conduct of the company prior to [illegible] appointment." The [illegible]tual decision will hinge on their assessment of the likely cost-benefit position, Mr Soden says.
- Unsecured creditors of Atlantic Computer Systems Inc (ACSI) are [illegible] to apply [illegible] principles of "equitable subordination" to a sum of $140.9m (£83m) due from ACSI which constitutes ACP's most significant asset. This would effectively subordinate the ACP claim to those of other creditors. "If we are not subordinated, the ACP dividend could be 55 cents in the dollar, but if we are in theory we get nothing," Mr Soden says.

He expects the equitable subordination issue to be addressed when ACSI produces its Chapter 11 plan, which is expected by the end of this year. An out-of-court settlement is on the cards. The cost of the US system is such that there is [illegible] strong incentive for people to settle, he says.

- [illegible] their appointment, the administrators [illegible] into more than 110 transactions with individual lessees and funders involving some 210 leases. These have generated some £19m of receipts and removed about £21m of liabilities. "It has been very much a period of consolidation," Mr Soden says.
- The directors' statement of affairs put ACS's unsecured liabilities [illegible] £171m and total flex and [illegible] liabilities [illegible] approximately £250m.
- 147 of the 156 vehicles taken over have been sold for a total of more than £1.3m or nearly £9,000 apiece.
- Administration fees in connection with ACS have to date come to £1.74m.

What these statements scarcely hint at is the effect of the collapse of what was once the world's third-largest company in its field on the underlying computer leasing market.

Since Atlantic's demise, two other major equipment leasing groups – Blackspur Leasing and ICS – have followed it. The trading position of another – Capital Computers – has deteriorated to such an extent [illegible] it has been considering "the sale of all or part of its lease portfolio to third party companies," according to the most recent directors' report filed at Companies House.

All four companies offered various forms of the [illegible] concept pioneered by Atlantic.

When the group's corpse is finally laid to rest some time towards the end of the millenium, 'Après moi le déluge', may prove a fitting epitaph.

NEWS DIGEST

Cluff improves to £1.09m

CLUFF RESOURCES, the gold and oil company, [illegible] a marginal increase in taxable profits from £1.01m to [illegible] in the first half of 1991 in spite of its gold mining operations in Zimbabwe being hampered by temporary restrictions on foreign exchange allocations.

The restrictions, [illegible] because of the Gulf war's impact on the price of oil imports, kept Cluff short of essential mining equipment.

Consequently, although gold production from Zimbabwe in the first half was about the same as in the first six months last year at 34,548 [illegible] troy oun[illegible], Cluff has revised downwards its estimate for 1991 from 80,000 to 70,000 ounces.

The Zimbabwean government increased significantly the availability of foreign currency in May and equipment is now [illegible] at [illegible] Freda [illegible] mine but operations will not return to normal until the fourth quarter.

Cluff is quoted on the USM and is 24 per cent-owned by Hutchison Whampoa, the Hong Kong-based conglomerate.

Adam & Co slightly higher at £0.92m

[illegible] & Co, the Edinburgh-based private bank, announced operating profits of £915,000 for [illegible] year [illegible] 30 1991, against the previous £882,000.

The results were described by the company as "particularly encouraging". They followed a sharp fall from £465,000 to [illegible] in the first six months. The dividend is being lifted from 2.25p to 2.5p.

Wm Jackson falls 29% to £2.98m

William [illegible] & Son, [illegible] Hull-based operator of discount stores and food markets, expe[illegible] a £1.24m fall in profits to £2.98m pre-tax for the year to April 27.

The 29 per cent shortfall was struck from [illegible] turnover £11.75m ahead at £207.75m. Cost of [illegible] for £161.31m [illegible] expenses for £3.66m (£3m).

The [illegible] profit of [illegible] associate [illegible] £314,000 (£600,000) [illegible] interest charges took £270,000 more at £1.13m.

J England shares suspended at 22p

Shares of J England Group, [illegible] Telford-based potato wholesaler and quiche maker, were suspended [illegible] on Friday, pending the announcement of an acquisition and further clarification [illegible] company's financial position.

The financial details will include the group's results for 1990. In the first six months it reported an unchanged pre-tax loss of £192,000 on turnover of £3.68m (£1.89m).

The shares have generally fluctuated within a narrow 20p-30p range since sliding from a peak of 50p last August.

Oceana again urges Etam to accept bid

[illegible] Investment Corporation, [illegible] South [illegible]trolled retail group, has [illegible] written [illegible] shareholders [illegible] Etam, the fashion retailer, urging them [illegible] £121m bid.

It has bought 126,769 shares through the stock market, taking its holding in Etam to 31.77 [illegible] cent. It [illegible] tances covering 1.46 per cent of [illegible] shares. Oceana is offering to buy shares at 185p each [illegible] settlement until 1 pm today. The general offer is open until August 12.

The circular challenges Etam to make a profit forecast for the six months to July 31. Oceana says Etam's performance has been poor and its recovery prospects are uncertain, but that it has "not produced a single argument in response" to these points.

CONTRACTS & TENDERS

Petro-Canada deeper in red with loss of C$97m

By Robert Gibbens in Montreal

PETRO-CANADA, the big integrated oil company privatised in June, lost money in the second quarter but is taking action to improve performance in the second half.

Second-quarter loss was C$97m (US$84.3m) or 41 cents a share, against a loss of $12m [illegible] year earlier. First-half loss [illegible] C$149m, against [illegible] profit [illegible] $28m. Revenue figures were not given. Petro-Canada is one of the biggest integrated companies in Canada.

Most of the integrated companies have reported losses this year because of low crude oil prices following the Gulf war and highly competitive downstream markets.

Petro-Canada has trimmed [illegible] and cut C$115m out of capital spending. It is rationalising its downstream systems – where losses were heavy in the second quarter.

● Lower natural gas and crude oil prices, particularly for heavier oil grades, hit BP Canada in the first half, though the [illegible] improved in the June quarter. Production declined because of asset disposals.

Mining results, both in Que[illegible] [illegible] Newfoundland, were also down, mainly because of weak metal prices. BP Canada posted a first-half loss of C$15.8m, or 31 cents a share, against a profit of C$3.5m, or 7 cents [illegible] share, [illegible] year earlier. Revenues were $167m against $195m.

● Metallgesellschaft, the German metals giant, has taken a stake in a petro-chemicals com[illegible] being spun off from Cal[illegible] Industries.

● [illegible] Oil & Gas [illegible] oil and gas properties in south-eastern Saskatchewan from Imperial Oil for [illegible]

Alcatel Kirk axes 300 from Jutland plant

ALCATEL Kirk, the Danish subsidiary of France's Alcatel, has announced the dismissal of 300 of its 875 employees in Denmark, writes Hilary Barnes in Copenha[illegible].

The 300 [illegible] among the 550 employed at the Kirk [illegible]phone factory in [illegible], Jutland, which [illegible] acquired in 1987.

The Jutland plant, which at its peak employed 1,300 people, [illegible] the town's biggest industrial employer.

The management blamed the dismissal on the liberalisation of the European telecoms mar[illegible] and cheap imports from the Far East.

Alcatel said it would attempt to sell what was left of the phone and transducer manufacturing operation and would re- organise the rest of its Danish business.

Unemployment in Denmark in June was 10.4 per cent or 291,800, seasonally adjusted, which is a record figure.

S&P affirms Citicorp rating

STANDARD & Poor's, the US ratings agency, has affirmed the ratings on Citicorp and its units, but changed the outlook to negative from stable, to reflect concerns about asset quality, Reuter reports. About $22bn of debt and preferred stock is affected.

Imasco anticipates better second-half performance

By Robert [illegible]

[illegible], the tobacco, fast food, retailing and financial services group which is controlled 40 per cent by BAT Industries of the UK, said that although first-half profits [illegible] 13 [illegible] due to the [illegible]sion, "encouraging signs" had appeared and performance in the second half would be better.

Second-quarter profit [illegible] C$85.5m (US$74.3m) or 66 cents [illegible] share, down 7 per cent from $92m or 72 cents a share a year earlier. Revenues were $1.5bn, up 9 per cent.

First-half profit [illegible] C$137.4m or $1.04 a share against $158.6m or $1.22 [illegible] share [illegible] earlier, [illegible] of $2.57bn against $2.44bn.

The tobacco subsidiary, which now holds 60.5 per cent of the Canadian cigarette market, continues to be the largest [illegible] contributor, followed by financial services, fast food and retailing.

Hardee's, the US [illegible] operation, met tough competition and its contribution was sharply lower.

Imasco [illegible] equity method in accounting for Canada Trust, its financial services arm which is one of [illegible] two largest trust companies. On [illegible] basis, Canada Trust would be the biggest contributor.

Mr Purdy Crawford, Imasco chairman, said Canada Trust would [illegible] recovery.

Imasco said Hardee's was profitable in the second quar[illegible] and [illegible] fig[illegible] new competitive products. Imperial Tobacco could successfully manage massive tax increases, while retailing should feel an improved consumer climate soon.

NRI TOKYO BOND INDEX

December 1983 = 100	01/08/91	Average yield (%)	Last week	12 wks ago	26 wks ago
	PERFORMANCE INDEX				
Overall	157.84	6.92	157.89	154.46	152.75
Government Bonds	155.99	6.77	154.75	152.19	150.80
Municipal Bonds	159.63	7.04	158.67	156.32	153.59
Govt.-guaranteed Bonds	162.47	7.10	161.60	159.09	157.70
Bank Debentures	154.61	6.93	154.21	151.52	149.54
Corporate Bonds	160.53	7.30	160.01	157.48	154.09
Yen-denom. Foreign Bonds	166.09	7.67	165.79	161.94	157.41
Government, 10-year†	6.51		6.59	6.65	6.59

† Estimated par yield

Source: Nomura Research Institute

HK airport benefits not yet set in stone

Angus Foster finds construction groups afraid of missing the promised work boom

Last month's agreement on Hong Kong's new airport led to a flurry of activity among the colony's [illegible] companies. Two, Hsin Chong Construction [illegible] Yau Lee Construction, are now preparing public listings. Hsin Chong's [illegible] nearly 13 times subscribed.

Share prices of construction stocks rose strongly after the [illegible] hopes [illegible] new airport [illegible] growth, renewed interest in the property market [illegible] a construction boom.

However, enthusiasm [illegible] since waned. Government contracts for non-airport work, delayed pending a decision on the airport, will take time to come through. Work on the airport and related infrastructure will not be in full swing until [illegible]. Even then, [illegible] worries about inflation and a [illegible] shortage [illegible] make bidding for the airport's fixed-price, lump-sum [illegible] risky.

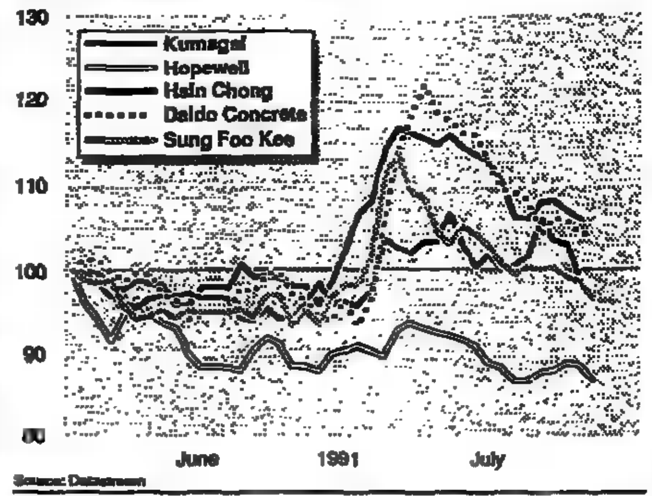
[illegible] airport "should keep the industry buoyant for the next few years, [illegible] although you are guaranteed the volume [illegible] everybody will mak[illegible]," [illegible] Mr Fred Ma, executive director of Kumagai Gumi (Hong Kong). The company is a 35 per cent-[illegible] associate [illegible] Japanese construction group and has won [illegible] airport-related contracts.

Construction is one of [illegible] Kong's biggest industries, accounting [illegible] per cent of annual [illegible] domestic product. This year the govern[illegible] struction spend[illegible]g will be close to HK$64bn (US$8.25bn), compared with HK$55bn last year. Private sector construction of housing, offices and industrial buildings account for 60 to 70 per cent of total spending. [illegible] the [illegible] airport project gets underway, the proportion of private sector investment will fall to about 50 per cent.

Leading Hong Kong [illegible]struction companies, [illegible] Hopewell Holdings, [illegible] be closely involved in the airport projects. Hopewell's share price has been weak since a HK$5.64bn rights issue was [illegible] in May. The local subsidiaries of [illegible] groups, such as Dragages et Travaux Publics (HK), part of the French Bouygues group, and Gammon Construction, a joint venture between Trafalgar House of the UK [illegible] Jardine Matheson, are in consortia bidding for large contracts.

These companies say the airport project is so large that the whole industry will benefit. Hong Kong [illegible] and subcontractors will have to be brought in because only they can [illegible] labour. They [illegible] good links with [illegible] which, following the airport agreement, is likely to provide cheap skilled workers and materials.

But local [illegible] companies are not so sure. They are worried they will receive little of the increased government spending. Even Hong Kong's largest companies lack [illegible] experience [illegible] compete [illegible] the two biggest airport projects, such as a HK$8.4bn con[illegible] [illegible] 1,400m suspension bri[illegible], which will have to withstand typhoons.



Mr Patrick Chan, secretary of the [illegible] Construction Association, says that with projects as complex as the bridge, Hong Kong companies do not expect to be able to compete. But his members fear that even the simpler projects will [illegible] won by [illegible] each contract is so l[illegible].

Local companies [illegible] compete [illegible] smaller, related infrastructure projects, [illegible] and [illegible] interchanges, or join international consortia as local part[illegible] responsibility [illegible] less [illegible] subcontracting and labour supply.

Despite all [illegible] generated by the airport, the fortunes of most Hong Kong [illegible] firmly tied to the [illegible] economy and [illegible] often [illegible]ly cyclical property market.

[illegible] profit margins [illegible] come under slight [illegible] this year, due to the slowdown in government contracts and [illegible] increases, but have remained within [illegible] 3 to 5 per cent band for larger contrac[illegible]. The industry's labour shortage remains [illegible] concern.

In the short term the outlook for the residential property [illegible] remains good, as there is [illegible] shortage of supply. Some agents reported 5 to 10 per cent price rises in the wake of the airport decision. But [illegible] prices [illegible] 1985, prompting fears of [illegible] correction.

Meanwhile, commercial property and [illegible] approaching a period of oversupply, leading to worries that private sector building will slow in the middle of this [illegible]

Mr Chan [illegible]s there is another problem. "If the government diverts all its resources into the airport, local contractors may find their regular business drops off too."

Projects which could be at risk include a HK$20bn environmental improvement project and the government's housing programme, which provides more than half Hong Kong's population with subsidised accommodation. Under the programme, 40,000 flats are due to be built each year until 2000 and provide steady work for more than 50 contractors approved by the housing authority.

These fears are misplaced, according to Mr D.R. Messling, acting director of the housing authority. [illegible] some contracts were delayed during [illegible] airport stalemate, but the authority is almost financially [illegible] from the government and will not slow down its building programme.

But with government resources limited, construction companies with strong balance sheets could benefit. Some a[illegible]lysts expect the government [illegible] try to privatise some of its environmental programmes, such as [illegible] disposal and landfill, on [illegible] build, operate and transfer basis. From this viewpoint, the rush of companies [illegible] stock [illegible] listings [illegible] more [illegible] attempt to raise capital for new projects rather than to cash in on airport sentiment.

Macarthy urges h[illegible] to wait and [illegible]

By Clare Pearson

MACARTHY, [illegible] pharmaceuticals maker and retailer, has told shareholders to sit tight in the face of the £74m ($125m) offer from UniChem, [illegible] pharmaceuticals wholesaler, while the stance of third parties remains unclear.

In a letter to shareholders, it said other parties had reconfirmed their interest recently, but none of them was "prepared to commit to any particular course of action at this time".

The letter made no reference to the adequacy of UniChem's bid, which capped an earlier offer from Grampian Holdings, the Scottish mini-conglom[illegible]ate, when it was launched on July 11.

UniChem is waiting to hear whether the Office of Fair Trading will refer the wholesaler's offer to the Monopolies and Mergers Commission, the UK mergers watchdog.

Mr Ian Parsons, Macarthy's [illegible] executive, said that Macarthy recognised, "the commercial logic of a merger with UniChem", but added that "it would have been disingenuous of us not to". Macarthy made an unsuccessful bid for [illegible] in [illegible].

Mr Parsons said the company had not talked recently with the other parties. "It is now up to them to act if they want to."

UniChem's offer valued each Macarthy share at 265p, compared with their Friday closing level of 253p [illegible] stock exchange.

Singapore bank reaches record

UNITED Overseas Bank (UOB), the largest of Singapore's big four [illegible] banks, yesterday [illegible] after-tax profits for the six months [illegible] June [illegible] had improved by 4.5 per cent to S$145.4m (US$84m), [illegible] Joyce Quek in Singapore.

The result was [illegible] record for the bank, which last year saw its first fall in profits since the 1985 recession.

UOB's adjusted group earnings per share rose from 25.1 cents to 26 cents and from 14.3 cents to 14.6 cents at the bank level, [illegible] profits rose to S$81.7m from S$79.1m.

Analysts [illegible] the improvement to the Singapore economy's recovery after the Gulf war and the bourse being the world's best performer in the first quarter of [illegible].

For the year, group after-tax profits are forecast at between S$280m and S$300m. UOB declared an 8 per cent interim dividend on its enlarged share capital.

At subsidiary United Overseas Finance, group operating revenue rose to S$20.8m from [illegible] but pre-tax profits fell 20.9 per cent to S$5.5m.

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Traders await [illegible] 'super-long jumbo'

THE government's return to borrowing has led to speculation the Bank of England may extend the maturity profile of government debt by issuing more long-dated gilts.

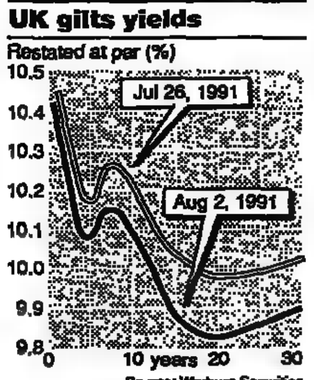
Rumours have circulated for weeks that the Bank will issue a "super-long jumbo" gilt, with the market anticipating about £2bn of [illegible] 25 [illegible] 30-year bond issue in the next few months – possibly in September when *the next gilt auction is expected.* The Bank of England has [illegible] to [illegible] the rumours, stressing instead that it is considering [illegible] funding practices and maturities.

However, fund managers and traders point out that [illegible] super-long jumbo issue could prove popular. Although there are already some long-dated conventional gilt issues maturing in 20-26 years' time, these are not particularly large or liquid following the Bank's buying-in programme in the late 1980s.

One pension fund manager pointed out that a super-long issue would be useful for pricing sterling bonds. He argues that the existing long-dated gilts fall short for one reason or another: the 9 per cent con[illegible] stock due 2011 is not a long enough maturity; the [illegible]

UK gilts yields

Restated at par (%)



Source: Warburg Securities

per cent Treasury stock due 2008/12 has too low a coupon; while the 12 per cent exchequer stock due 2013/17 has too large a coupon. He would prefer a gilt maturing between 2015 and 2020.

However, some fund managers point out that it is simple to price corporate sterling bond issues off the 9 per cent gilt due 2008, especially given that the yield curve is quite flat in this area.

Also, a 30-year gilt would help to allow direct comparisons with other government bond markets such as the French and US markets which have 30-year paper.

Finally, fund managers point out that a long-dated [illegible] would be popular with insurance companies which are writing term life or unit-linked policies and, to a lesser extent, pension funds. Fund managers say that, due to the Bank's buying-in programme, [illegible] has been a shortage of long-[illegible] gilt-edged stock for *insurance companies to buy.*

Many fund [illegible] considering whether to increase their fixed income holdings. [illegible] are worried about the slowdown in dividend growth at UK companies, which [illegible] equities [illegible] attractive. [illegible] point out that as the Bank has started to issue gilts again, they are bound to increase their fixed income holdings accordingly.

So far this year, the gilt mar[illegible] has [illegible] supported largely by [illegible] *investors who* have bought £3.6bn of stock. Mr John Kendall, economist with Baring Sterling Bonds, says that if the Bank were to issue a super-long jumbo gilt, it would need to wait until the current stock market rally [illegible] out of steam.

The Bank has avoided heavy issuance at the long end of the gilt market, leaving it open for *corporate bond issues.* But [illegible] fund managers point out that [illegible] is [illegible]ch heavy demand for long-dated paper that [illegible] super-long jumbo gilt is unlikely to crowd out corporate paper.

The concern is that the yield on such a gilt would need to be very attractive for investors, for as one insurance company *fund manager said:* "Why hold gilts, the ultimate in safety, when you can get a higher return on sterling corporate bonds at very little extra risk?"

The Bank's aim is to fund the government's borrowing requirement as cheaply as possible. [illegible] inflation is forecast to fall to 4 per cent by the end of the year, it may be unwilling to issue a long-dated bond yielding 10 per cent as this would provide a high real return for investors.

Those in the market wonder whether the Bank was perhaps testing the water when it announced a £1bn tap of the 9 per cent stock due 2011 on July [illegible] The tap stock was [illegible] on Friday in a *strong gilt market rally.*

Sara Webb

NEW ZEALAND BONDS

Budget adds incentive for foreign investors

THE [illegible] New Zealand's bond market to the tough, sweeping changes in Tuesday's budget, which included [illegible] announcement of [illegible] *unexpectedly large* NZ$5.2bn tender programme [illegible] four months, [illegible] indecisive. Rates firmed sharply before easing towards the end of the week.

The budget, which included social welfare cuts, had been largely anticipated by financial markets, and initially received a warm response. However, its complexity meant the markets barely responded on Wednesday as analysts attempted to reconcile government intentions and the response from the Reserve Bank, which operates under an Act of Parliament *giving it independence in* economic matters affecting inflation.

This act, which has the support of Minister of Finance Ms Ruth Richardson, was passed by the previous Labour government expressly to stop politicians interfering with the bank in areas such as interest and [illegible] and gave [illegible] governor Dr Don Brash the [illegible] down. Inflation is now at a 25-year low, and is negative on some [illegible]

On Wednesday night, Dr Brash declared his support for the budget's "broad economic direction" with its focus on cutting the deficit and the nation's debt ratios.

In a subsequent interview he said it gave scope for further falls in wholesale interest rates, and also the introduction of [illegible] positive [illegible] the first time this has been permitted since the 1984 deregulation.

Since then, the main target *of the government's interest* rate policy has been in influencing short-term rates. Dr Brash's remarks were seen by the markets as an acceptance that monetary policy could ease, which in turn meant there would [illegible] last be some relief for the harsh domestic recession.

Almost immediately [illegible] rates went positive with 90-day *bank bills falling to 9.35 per* cent from 9.61 per cent and 1997 government bonds rising [illegible] 9.86 and 2002 maturities to 9.96 per cent.

The rising bond rate was in part a reflection of concern at the ability of the government to issue so much paper in a relatively short period and following other large issues.

The timing of the bond programme is also a little curious, as it comes ahead of NZ$4bn of bonds which are due [illegible] mature later this year.

It is assumed that given domestic liquidity difficulties a high proportion of the bonds will be bought by overseas investors, particularly from the US.

It is assumed that bond rates will stay at around present levels till the bulk of the present [illegible] programme [illegible] pleted in November.

Present bond rates are lower than in [illegible] and [illegible] other countries, and this [illegible] *causing some government critics* to suggest there could be difficulty in attracting sufficient international support.

However the deputy governor of the Reserve Bank, Mr Peter Nicol said international soundings by the bank had confirmed there was strong support, in part due to a recognition that New Zealand's real interest rates were the highest in the world and that efforts were being made to strengthen the economy. As if to ensure that extra and essential degree of support, in the budget Ms Richardson relaxed the 24 per cent withholding tax requirements for overseas investors, which gives the New Zealand offerings an edge over those from Australia.

Terry Hall

US MONEY AND CREDIT

Reactions differ to jobs figures

THE different interpretations of last Friday's jobs data by the money people of Wall [illegible] and the US President sug[illegible] that the divide between [illegible] York and Washington is greater *than suggested by the* physical distance between them.

When the Labor Department announced last Friday that non-farm employment fell by 51,000 jobs in July – [illegible] expectations of a gain of about [illegible] – [illegible] bond market reacted with an immediate rally, based on the view that *the US economy's* [illegible] was now looking sluggish at [illegible] and [illegible] would have to come down.

But President [illegible] Bush, seizing upon the less reliable percentage indicator of unemployment in July – which fell from 7 per cent to 6.8 per cent – announced this was "very good news" an[illegible] proclaimed that the economy was "moving forward".

No one knows whether the market or the president is right. *Ms Janet Norwood, head* of labour statistics in Washington, said the jobs market was [illegible] In number terms she is right.

What is more, the number of people unemployed now stands at 8.5m, which on [illegible] seasonally adjusted basis [illegible] 1.6m more people than a year ago.

On Wall Street the market reacted to the worse than expected data by engaging in a buying spree. The price of the benchmark 30-year Treasury bond jumped by 1[illegible] on Friday, reducing the yield to 8.24 per cent, some 14 basis points lower than it had been seven days before.

The corporate bond market, apparently reckoning it was on to a good thing, also perked up as more than $1bn of new issues were offered by companies such as Tenneco, Shell Oil, Dillard Department Stores and Norwest Financial.

The Treasury bond market's view, possibly wishful thinking, is clearly that the Federal Reserve *must now ease on* interest rates to help spur recovery. This view was reinforced by last Thursday's $5.5bn drop in *the M2* money supply figures for the week ended July 22.

With money supply growth so sluggish, one would think that Mr Alan Greenspan, the ever-cautious chairman of the *Federal Reserve, would move* away from his stance of "watchful waiting". But experience [illegible] that the waiting may continue, and only a protracted [illegible] in M2, with other signs [illegible] a [illegible] recovery, will lead to Fed action on interest rates.

For the bond market, however – and especially the believers of the "double dip" theory of the US recession – the President's *optimism* is pure politics and the economy could still slip into another trough, perhaps only a small one. If the US growth rate were [illegible] at 0.5 per cent in the second and third quarters [illegible] 1991, these numbers would probably mask suffering in parts of the [illegible]nomy.

Mr Robert Brusca, *chief economist at Nikko Securities,* says the employment report was "unambiguously" weak. There is no sign, he says, of the poor trend turning for the jobless.

Like others, Mr Brusca points out that the 6.8 per cent unemployment rate comes from the less reliable "household survey", which showed a drop of 415,000 in the *labour* force with a rise of 686,000 "not in the labour force". Combine this with the fact that the number of people employed dropped in this survey by 172,000, and the [illegible]centage rate looks "fishy" to Mr Brusca.

State jobless rates do not paint a picture of a nation leaping out of [illegible] either. Against a national 6.8 per cent unemployment rate in July, New York has a rate of 7.1 per cent, California 7.6 per cent, Michigan 8.3 per cent and Massachusetts 9.1 per cent.

This week will produce only a few of the macro-economic numbers the market loves to crunch. On Friday the producer price index is published, but the consensus among statistics-watchers is to expect a little changed figure, and some are even looking for a drop of 0.1 to 0.2 per cent.

The *focus* instead should be on tomorrow's quarterly refunding, with $14bn of three-year Treasury notes. On Wednesday the Treasury plans to issue $12bn of 10-year paper and on Thursday another $12bn chunk, this time of 30-year bonds.

Mr Bush goes on his August holiday this week, but he is sure to keep a weather eye trained on the economy: he said on Friday that he wanted to see how the unemployment figures were received by the markets.

If the bond market carries on with its present tilt, Washington – and especially the Fed – will eventually get the message: "Lower interest rates, please!"

Alan Friedman

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	5.63	5.69	5.75	11.00	2.00
Three-month Treasury bills	5.63	5.73	5.75	7.81	5.53
Six-month Treasury bills	5.79	5.93	5.96	7.75	5.82
Three-month prime CDs	5.88	5.97	6.00	9.01	5.86
30-day Commercial Paper	5.75	5.90	6.00	9.95	5.80
90-day Commercial Paper	5.82	5.93	6.05	10.05	5.81

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	101[illegible]	+[illegible]	7.88	8.05	8.21
20-year Treasury	109[illegible]	+1	8.23	8.34	8.47
30-year Treasury	98[illegible]	+1[illegible]	8.24	8.38	8.49

Money supply: In the week ended July 22, M1 rose by $2.5bn to $860.2bn

FT/AIBD INTERNATIONAL BOND SERVICE

Closing prices on August 2

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

NGC Settlements Limited

هكذا من الأصل

INTERNATIONAL CAPITAL MARKETS

SYNDICATED LOANS

Sector on wane [illegible] banks lose favour

UK COMPANIES are turning away from syndicated loans, their usual source of standby financing, to [illegible] up bilateral loan agreements with relationship banks.

The trend has been sparked by growing [illegible] that, when the going [illegible] tough, [illegible] large group [illegible] banks may not be a reliable source of funding.

Companies such as News Corporation, Brent Walker and Laura Ashley found, to their cost, that the reluctance of just one or two banks to agree to a restructuring of debt can jeopardise a company's future.

In many cases, banks had [illegible] down their participations, so that some companies discovered they had new creditors.

Several large companies are reviewing their banking lists and moving [illegible] with their relationship banks. Imperial Chemical Industries, [illegible] UK's largest manufacturing company, and Rolls-Royce [illegible] the leading UK firms which are [illegible] to be adopting this strategy.

Foreign banks [illegible] strong credit ratings, such as Deutsche Bank, are enjoying [illegible] increasing share of [illegible] market as [illegible] result.

Companies appear to [illegible] prepared [illegible] pay more [illegible] bilateral lending, when they are convinced that a top-rated bank will be [illegible] reliable source of funds, than for syndicated facilities, which in [illegible] past [illegible] been more expensive.

"Many UK companies [illegible] not enamoured of syndicated lending," observed one banker.

"[illegible] a large company with a strong treasury team, which can devote staff to managing bilateral loans, these are [illegible] good option."

BAT, the UK conglomerate, is taking the bilateral [illegible] "We like to have strong banking relationships, and this is one way of cementing them," said a BAT official.

BAT has cancelled its $3.2bn revolving credit facility, [illegible] up in February 1988, and replaced it with [illegible] series of more than 20 bilateral agreements, worth a total of $2bn.

More such agreements will be put in place during the next few months.

BAT [illegible] not plan [illegible] on the new facilities, just as the old facility went virtually unused.

[illegible] said that BAT expects banks not to sell on its [illegible]

[illegible] companies [illegible] still considering their options. [illegible]tt & Coleman has [illegible] how [illegible] refinance the remaining $1bn of [illegible] $1.7bn facility taken in March 1990, which expires next year. An official said that, in view [illegible] changes in [illegible] market, [illegible] company is looking again at all the options.

Despite [illegible] attractions [illegible] bilateral financing, some bankers [illegible] may [illegible] up [illegible] expectations.

[illegible] pointed [illegible] that the policing role of agent banks on syndicated facilities [illegible] missed, [illegible] companies [illegible] try [illegible] restructure a large number [illegible] bilateral loans.

In any case, a barrier to the spread of bilateral lending may be the banks themselves.

Constrained balance sheets and economic recession are likely [illegible] from lending sizeable sums of money, without selling on some of the [illegible]

■ THE $90m three-year secured syndicated loan for Robert Maxwell Estates has been put on hold.

The deal, [illegible] by Barclays and Lloyds, [illegible] in syndication, [illegible] the proposed demerger of Maxwell Communications, Mr Robert Maxwell's publishing gro[illegible], may require the [illegible] to b[illegible] restructured.

Tracy Corrigan

EUROMARKET TURNOVER ($m)

Primary Market	[illegible]	Conv	FRN	Other
US$	765.9	39.4	509.4	12,532.6
Prev	1,272.1	0.0	110.0	12,849.5
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Prev	1,372.4	[illegible]	[illegible]	[illegible]
Secondary Market				
US$	[illegible]	826.6	10,176.2	10,936.7
Prev	[illegible]	838.5	5,988.1	8,676.7
Other	34,187.6	973.0	5,266.7	53,703.4
Prev	26,111.8	1,016.3	4,59[illegible]	43,703.2

	Cedel	Euroclear	Total
US$	[illegible]	33,712.0	56,849.0
Prev	[illegible]	31,785.1	47,844.4
Other	45,457.2	59,173.[illegible]	104,630.3
Prev	33,167.5	53,706.[illegible]	86,874.1

Week to August 1, 1991

Source: AIBD

INTERNATIONAL BONDS

Emerging economies gain [illegible] investors take more risk

FOLLOWING [illegible] period of intense conservatism, investors are buying higher-yielding [illegible] from weaker international credits.

Borrowers from the emerging markets [illegible] Latin America and eastern Europe have most to gain from [illegible] shift in attitudes. Domestic borrowing costs in many countries remain prohibitively high. Cheaper international credit can help to finance growth.

Inflows of international capital allow governments to run the trade deficits which often result from high economic growth. For example, Mexico was the largest recipient of new capital [illegible] in Latin America last year, with a [illegible] of $8.4bn invested, [illegible] cover the country's $3bn [illegible] twice over.

Mexico has been at [illegible] forefront of [illegible] resurgence of "emerging market" borrowers in [illegible] international bond arena. Pemex, the state [illegible] company, has led the way with Eurobond issues in D-Marks, Austrian schillings, dollars and Ecu, as well as a US domestic bond offering.

However, the Mexican state's Pta10bn Matador bond issue in the Spanish domestic market last week demonstrated that new funding opportunities were opening up.

Mexican borrowers are also funding at longer maturities. The $100m five-year deal by Banobras, the state development bank, launched last month was the longest maturity borrowing by a Latin American borrower since the early 1980s.

The cost of international borrowing has [illegible] fallen sharply. The Banobras issue was priced [illegible] a yield spread of 239 [illegible] points over US Treasury bonds. [illegible] $125m three-year deal was launched in February at a yield spread of 320 basis points.

This still represents a heavy premium [illegible] better known corporate [illegible] For example, Pemex's Ecu [illegible] was launched on a yield of 11.475 per cent. [illegible] comparable deal by Asea Brown Boveri, the Swiss-Swedish industrial group, was at the time yielding 9.48 per [illegible] in the secondary market.

But the narrowing [illegible] spreads demonstrates the progress made by Mexican borrowers since they [illegible] to the Eurobond market last September.

[illegible] from other South American countries [illegible] following Mexico's lead. [illegible] they have further to go in terms of pricing. Petrobras, the Brazilian public sector oil group, paid a yield spread of more than 600 basis points [illegible] a successful $250m two-year issue launched last month through Chase Investment Bank.

The pattern is similar among [illegible] European borrowers, where Hungary [illegible] blazing a trail.

National Bank of Hungary recently completed its first Eurodollar bond offering, a $100m five-year deal via Bankers Trust International. The yield spread of 280 basis points over US Treasuries suggested that the Hungarian bank [illegible] as [illegible] slightly more risky credit than state-owned Mexican borrowers.

[illegible] interest in debt issued by these borrowers has been fuelled by the progress of economic restructuring.

For example, Venezuela recently had its credit rating upgraded from B+ to BB by Standard & Poor's, the US rating agency. This did much to smooth the path of the country's return [illegible] capital markets, [illegible] five-year Eurobond placement.

S&P said that the upgrade reflected "the implementation of a comprehensive [illegible] adjustment programme and debt reduction plan".

Bond syndicate managers said that demand was coming from diverse sources, varying from private individuals in Europe [illegible] US mutual fund [illegible] to Japanese leasing companies.

One common theme is that the weakness of the US market for high-yielding corporate debt – or "junk" bonds – has led [illegible] US funds being diverted [illegible]

For example, strong US demand for National Bank of Hungary's Eurodollar deal has led the bank to consider [illegible] US domestic issue.

However, in upgrading Venezuela's debt rating, [illegible] noted that economic adjustment "remains vulnerable to political challenges".

Demand from investors is also [illegible] to political disturbances. The National Bank of Hungary has postponed plans for a debut sterling issue [illegible] unrest [illegible] neighbouring Yugoslavia.

Simon London

NEW INTERNATIONAL BOND ISSUES

[illegible]	Amount m.	Maturity	Av. life [illegible]	Coupon %	Price	[illegible]	[illegible] yield [illegible]
[illegible] DOLLARS							
[illegible] Co.(c)§†	150	1998	7	4	[illegible]	Daiwa Europe	[illegible]
Ohbayashi Corp.(h)♦†	360	1995	[illegible]	4¾	[illegible]	Nomura Int.	[illegible]
Meitec Corp.(b)♦†	110	1995	4	4½	100	Nikko [illegible]	4.500
Province of Quebec†	500	2001	10	9⅛	101.47	[illegible]	8.897
Kumagai Gumi♦	360	1995	4	4¾	100	[illegible]Europe	[illegible]
Nippon Stainless Steel♦	100	[illegible]	4	4⅝	100	[illegible] Int.	[illegible]
Senko Co.♦	100	[illegible]	4	4⅝	100	Daiwa Europe	4.625
Topy Industries♦	100	[illegible]	4	4⅝	100	Nikko Secs.	4.625
Nippon Sheet Glass Co.(a)♦†	220	1995	4	4⅝	100	Daiwa Europe	4.625
STERLING							
HMC Mtge.Notes 8(d)‡†	200	2034	(d)	(d)	100	CSFB	-
Woolwich Building Soc.(w)‡†	75	1993	2	(w)	100	UBS [illegible]	-
CMS No. [illegible]	[illegible]	2028	(x)	[illegible]	[illegible]	Goldman [illegible]	-
ECUs							
European Community(e)†	435	1998	[illegible]	[illegible]	101⅛	Paribas Cap.Mkts.	8.983
[illegible]	40	2001	[illegible]	[illegible]	[illegible]	Paribas Cap.Mkts.	[illegible]
CANADIAN [illegible]							
IBM Canada†	150	1996	[illegible]	[illegible]	100.425	Wood Gundy	9.888
[illegible]							
BP America Inc.†	100	[illegible]	[illegible]	11⅛	101.27	Merrill Lynch	[illegible]
Barclays Aust.Int.Fin.†	75	[illegible]	[illegible]	11½	101⅝	BZW	[illegible]
NatWest [illegible] Bk†	[illegible]	1995	4	11⅝	101⅝	[illegible] Cap.Mkts.	[illegible]
PESETAS							
[illegible]	10bn	1996	5	14¼	99½	[illegible]	[illegible]
D-MARKS							
Union Bk of Finland†	200	1993	2	9¼	[illegible]	[illegible] Bk	8.628
Fokker(f)‡†	150	1998	7	(f)	[illegible]	[illegible] Bk	-
Toyo Linoleum♦	60	1995	4	6⅞	100	Nomura Bk GmbH	6.375
Fiat Fin.& Trade†	200	1996	5	9	101½	Deutsche Bank	8.618
Hambros Int.Fin.BV(k)★★‡†	70	2001	10	(k)	100	NordLB	-
[illegible] Int.Fin.†	400	[illegible]	4	9	101.65	Dresdner Bank	[illegible]
[illegible] Co.♦	40	[illegible]	4	5⅜	100	Deutsche Bank	[illegible]
Marutomi Grp.(b)♦†	70	[illegible]	4	5⅜	[illegible]	Nomura [illegible] GmbH	5.375
World Bank(y)♦†	300	2001	10	8¾	101⅝	[illegible]	[illegible]
SWISS FRANCS							
[illegible] Brake Inds.(a)★★♦†	80	[illegible]	-	4	100	[illegible] Bk [illegible]	4.000
Tokyo [illegible] Homes★★♦†	30	[illegible]	-	[illegible]	[illegible]	Credit Suisse	[illegible]
Shibaura [illegible]	20	1995	-	5½	100	Kankaku (Switz)	5.500
Shinagawa Fuel(b)★★♦†	60	1995	-	[illegible]	100	SBC	4.000
Shinagawa Fuel(b)★★♦†	60	1996	-	4¼	[illegible]	[illegible]	4.250
Sunx(c)★★♦†	40	[illegible]	-	4	100	[illegible]	4.000
[illegible]kayama Kiko(b)★★§†	100	1996	-	5¾	100	UBS	5.750
[illegible] Foods Inds.(g)★★§†	50	1995	-	[illegible]	[illegible]	[illegible]	4.040
Hamamatsu Photo.(b)★★§†	60	1996	-	5⅝	100	Nikko Bk. (Switz)	[illegible]
Okamoto Machine(i)★★♦†	35	1995	-	4	100	Bca.d'Svizzera Italiana	4.000
Nippon [illegible] Packers(l)★★♦	100	1995	-	4¾	100	[illegible]	4.750
Aiwa(m)★★§	100	[illegible]	-	5¼	[illegible]	[illegible]	5.250
Tateyama Aluminium(n)★★♦	100	[illegible]	-	4½	[illegible]	[illegible]	4.500
Toho Rayon(o)★★♦	80	1995	-	4¼	100	Yamaichi Bk (Switz)	4.250
Xebio Co.(p)★★§	80	1995	-	4	100	Nomura Bk (Switz)	4.040
Kanto Biochemical(q)★★§	[illegible]	[illegible]	-	[illegible]	100	[illegible]	4.036
Meiko Construction★★♦	35	1995	-	4½	[illegible]	Nikko Bk [illegible]	4.500
Nippon Densu★★♦	25	[illegible]	-	4½	100	Nikko Bk [illegible]	4.500
Riken Vinyl Inds.(b)★★♦†	80	1995	-	4	100	Yamaichi Bk. [illegible]	4.000
Asakawa Gum[illegible]	50	1995	-	4½	100	Nomura Bk [illegible]	4.500
Daiei Taigen(t)★★§	[illegible]	1995	-	[illegible]	100	Coutts [illegible]	4.040
Daito Seiko Co.(u)★★§	30	[illegible]	-	5½	[illegible]	[illegible] d'Gottardo	5.576
Royal Electric Co.(v)★★§	20	[illegible]5	-	4	100	Daiwa Secs.(Switz)	4.040
[illegible] Planning Center(b)★★§†	80	[illegible]5	-	4½	100	UBS	4.039
Gen.Elec.Cap.Corp†	125	1998	-	[illegible]	[illegible]	Merrill Lynch [illegible]	[illegible]
[illegible] KRONOR							
[illegible] Inv.Bk†	500	1998	7	11	101⅞	[illegible] Cap.Mkts	10.607
YEN							
SBAB(r)†	[illegible]	2001	10	7¼	[illegible]	Nomura S[illegible]	[illegible]
LUXEMBOURG [illegible]							
GMAC Continental★★†	500	1993	[illegible]	10	102.10	[illegible] Europeen	[illegible]
Union Bk of [illegible]	500	1996	5	9⅝	[illegible]	BIL	[illegible]
[illegible] Bk [illegible]★★†	600	1996	[illegible]	9⅞	[illegible]	[illegible] Europeen	9.382
Hambros Int.Fin.BV★★†	[illegible]	[illegible]	[illegible]	[illegible]	101¾	BCEE	9.274
[illegible]	600	1998	7	9⅝	102¼	KBL	9.175

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. ◆Variable rate notes. †Fin[illegible] a) Exercise premium fixed at 2.61%. b) Conversion premium fixed at 2.5%. Non-callable. c) Conversion premium fixed at 2.5%. d) Mortgage-backed issue. Callable from 8/94 at par. Average life - 4.47 years. Coupon pays 45bp over 3-month Libor until 8/98, then pays 70bp over 3-month Libor thereafter. e) Fungible with existing Ecu500m from August. f) Put option, once only, on 26/8/93 at par. Callable from 26/8/93 at par. Coupon pays 25bp over 6-month Libor. g) Conversion premium fixed at 2.53%. h) Exercise premium fixed at 2.56%. i) Exercise premium [illegible]64%. j) Matador issue. Non-call[illegible] One call only, at [illegible] after 6 years. Coupon pays 6-month Libor + 35bp for first 6 years, then 6-month Libor + 50bp thereafter. l) [illegible] at 101% and 15/8/94 at 100½%. m) [illegible]able 30/9/93 at [illegible] declining ¼% annually. n) Callable 22/9/93 at 102% declining [illegible]% semi-annually. o) Callable 14/2/93 at 101½% declining ¼% semi-annually. p) Put option 30/9/93 at 108¾% to yield 7.85%. Coupon payable semi-annually. q) Put option [illegible]/11/93 at 10[illegible] to yield 7.495%. Coupon payable semi-annually. r) Samurai dual currency issue. Coupon payable in Australian dollars. s) Callable [illegible] 101[illegible] ½% semi-annually. t) Put option [illegible]% to yield [illegible]. Coupon payable semi-annually. u) Ca[illegible] at 1[illegible] ½% semi-annually. Coupon payable [illegible] v) Put option [illegible] at 108⅞% to yield 7.516%. [illegible] payable [illegible] existing [illegible] issue [illegible] pays ⅛% over 3-month Libor. x) Mortgage[illegible] Coupon pays [illegible] over 3-[illegible] pays 100bp over 3-[illegible] thereafter. Average life - 3.2 years. Callable after [illegible] at par. y) Separate issue of 3m warrants priced at DM2.[illegible] which give right to purchase Series B World Bank issue. Callable after 2, 3 and 4 years at 101¼%. z) Fungible with existing Ecu500m issue. Note: Yields are calculated on AIBD basis.

WORLD STOCK MARKETS

AUSTRIA

1991 High	Low	August 2	Price Sch
3,710	2,210	Austrian Airlines	2,920
703	595	Creditanstalt	609
4,925	3,200	EA General	3,965xd
902	583	EVN	838
11,521	6,656	Jungbunzlauer	9,695
1,440	937	Laenderbank	1,000
1,012	799	OeMV	880
1,920	1,129	Perlmooser Zement	1,685
966	580	Radex Heraklith	765
2,300	1,480	Reininghaus Brau	2,000
449	276	Steyr Daimler	378xd
869	538	Veitscher Magnesit	563
564	445	Verbund (Br) A	508
6,135	4,268	Wienerberger	5,340

BELGIUM/LUXEMBOURG

1991 High	Low	August 2	Price Frs.
[illegible]	2,110	ACEC-Union Min	2,370
[illegible]	2,750	Arbed	4,325
[illegible]	2,280	BBL	2,720
[illegible]	10,000	Bank Intl a Lux	11,900
[illegible]	12,400	Banq Gen Lux Pts	12,850
[illegible]	910	Barco	1,140
[illegible]	6,530	Bekaert	9,200
[illegible]	5,260	CBR Ciment	7,900
[illegible]	4,530	Cobepa	5,020
[illegible]	4,600	Cobepa AFV 1	4,970
[illegible]	133	Cockerill Priv	176
3,625	2,480	Colruyt	3,580
8,390	5,550	Delhaize Frs Lion	7,910
4,920	4,165	Electrabel	4,450
4,910	4,080	Electrabel AFV	4,425
[illegible]	2,482	Electrafina ACT	2,950
234	71	Fabrique Nat	103
3,950	2,910	GBL	3,480
3,860	2,900	GBL AFV 1	3,380
1,446	982	GIB Group	1,314
1,370	960	GIB Group AFV	1,280
900	600	Gechem	680
820	600	Gechem AFV	662
[illegible]	4,005	Generale Banque	5,110

FRANCE (continued)

1991 High	Low	August 2	Price Frs.
759	514	Beghin-Say	572
592	419	Beghin Say Cert Inv	465
2,778	2,201	Bongrain	2,370
642	412	Bouygues	564xd
1,201	765	CGIP	1,048
159	92.10	CMB Packaging	147
1,095	785	Canal+	1,058
444	309.80	Cap Gemini S	346
2,129	1,553	Carrefour	1,963
154.80	117.10	Casino	138.40
768	433	Cetelem	760
855	637	Chargeurs	743
530	383	Club Mediterranee	428
400	301	Coflexip	335
590	560	Comptoirs	576
183.80	133	CCF	153.50
1,294	801	Cr Fonc France	1,099
689	490	Cred Lyon (CI)	500
1,289	920	Credit National	1,098
2,310	1,649	Damart	2,000
416	340	Docks de France	370.60
433	245	Dollfus Mieg Cie	320
906	700	EBF	730
2,725	2,050	Eaux Cie Genl	2,371
423	258	Ecco	345
379	248	Elf-Aquitaine	352.80
254.50	191	Elf-Aquitaine Certs	213.50
429	285	Essilor Int	315
2,240	1,310	Euro	1,700
1,829	1,270	Eurafrance	1,505
929	575	Eurocom	780
129.50	90	Euro Disney	126
1,520	1,024	Exor	1,342
160	113.20	Finextel	115.60
880	655	Fonc Lyonnaise	680
2,245	1,641	From C et Am	2,209xd
468	287.50	GTM-Entrepose	420
1,850	1,350	Gal. Lafayette	1,482
987	786	Gaumont (Soc N)	786
816	592	Gen Occidentale	766
863	455	Geophysique	755
241	141.30	Hachette	178
574	361.10	Havas	495.50
351	200	Imetal	285.40

GERMANY (continued), NETHERLANDS, SWEDEN (continued), SWITZERLAND, NORWAY, SPAIN, ITALY, SOUTH AFRICA, DENMARK, FINLAND, FRANCE, JAPAN, AUSTRALIA, HONG KONG, MALAYSIA, SINGAPORE: [illegible]

Price data supplied by Telekurs.

CANADA

TORONTO

4:00 pm prices August 2

MONTREAL

4:00 pm prices August 2

[illegible]

t - No voting rights or restricted voting rights

Total Sales 6,119,200 shares

INDICES

NEW YORK

DOW JONES	Aug 2	Aug 1	July 31	July 30	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3006.26	3007.67	3024.82	3006.32	3035.33 (3/6)	2470.30 (9/1)	3035.33 (3/6/91)	41.22 (2/7/32)
Home Bonds	94.82	94.70	94.87	94.74	95.89 (30/5)	91.30 (14/1)	95.52 (9/2/87)	54.99 (1/10/81)
Transport	1225.29	1225.85	1220.56	1216.85	1241.89 (3/6)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	202.76	201.46	201.77	204.04	220.89 (16/4)	195.17 (10/7)	236.23 (21/1/90)	10.50 (8/4/32)

Day's High 3042.26 (3037.12) Low 2994.41 (2997.78)

STANDARD AND POOR'S

	Aug 2	Aug 1	July 31	July 30	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	387.18	387.12	387.81	386.69	390.45 (17/4)	311.49 (9/1)	390.45 (17/4/91)	4.40 (1/6/32)
Industrials	461.66	461.82	462.47	461.20	463.23 (18/4)	364.90 (9/1)	463.23 (18/4/91)	3.62 (21/6/32)
Financial	30.42	30.66	30.61	30.33	31.58 (18/4)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	212.83	211.96	212.34	211.64	213.21 (17/4)	170.97 (9/1)	213.21 (17/4/91)	4.46 (25/4/42)
Amex Mkt. Value	366.40	368.24	368.20	367.80	373.40 (18/4)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	505.67	504.15	502.05	498.27	511.31 (17/4)	355.75 (14/1)	511.31 (17/4/91)	54.87 (31/10/72)

	July 26	July 19	July 12	year ago (approx.)
Dow Industrial Div. Yield	3.10	3.04	3.08	3.72

	Jul 31	Jul 24	Jul 17	year ago (approx.)
S & P Industrial div. yield	2.70	2.77	2.74	2.96
S & P Indl. P/E ratio	19.90	19.82	19.74	16.95

NEW YORK ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
[illegible]	4,941,800	14¼	- -
[illegible]	4,678,400	27¾	+ 1¼
[illegible]	1,997,000	15¼	- ¼
[illegible]	[illegible]	[illegible]	[illegible]

TRADING ACTIVITY

† Volume Millions	Aug 2	Aug 1	July 31
New York SE	162.050	169.920	166.650
Amex	13.760	11.089	11.904
NASDAQ	148.498	160.090	160.323
[illegible]	[illegible]	[illegible]	[illegible]

CANADA

TORONTO

	Aug 2	Aug 1	July 31	July 30	1991 HIGH	1991 LOW
Metals & Minerals	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Composite	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
MONTREAL Portfolio	[illegible]	1875.33	1881.57	[illegible]	1983.86 (7/6)	1686.89 (9/1)

Base values of all indices are 100 except NYSE ... - 50; Standard and Poor's - 10; ... Toronto ... 1975 and Montreal Portfolio ... Utilities, Financial and Transportation. (c) Closed.

Other indices (AUSTRALIA, AUSTRIA, BELGIUM, DENMARK, FINLAND, FRANCE, GERMANY, HONG KONG, IRELAND, ITALY, JAPAN, MALAYSIA, NETHERLANDS, NORWAY, PHILIPPINES, SINGAPORE, SOUTH AFRICA, SOUTH KOREA, SPAIN, SWEDEN, SWITZERLAND, TAIWAN, THAILAND, WORLD): [illegible]

WORLD: M.S. Capital Intl. (1/1/70) (C) 306.9* 306.3 306.8

**Saturday July 27: Taiwan Weighted Price: 5140.3 ... to official recalculation. Base values of all indices are 100 except: BEL20, MEX General, ISEQ ... Industrials - 264.3 and Australia All Ordinary and Mining - ...

TOKYO - Most Active Stocks

Friday 2 August 1991

	Stocks Traded	Closing Prices	Change on day
Nippon Mining	9.2m	570	+11
Stanley Electric	6.9m	795	-6
Showa Shell S	5.2m	1,790	-30
Nippon Carbon	3.9m	990	+10
Sharp	3.4m	1,620	+10
Toyo Tire Rbbr	3.3m	705	+22
Mitsubishi Oil	3.1m	1,100	+40
General Sekiyu	3.0m	1,520	+80
Mitsui Shipbld	2.8m	574	-6
Fuji Heavy	2.8m	427	+19

مكتبة الأرشيف

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● [illegible]rrent Unit Trust prices are available on [illegible] Cityline, cal[illegible] 430000. Calls [illegible] at 34p/minute cheap rate and 45p/minute at [illegible] times. To [illegible] Unit Trust Code [illegible] call [illegible]

AUTHORISED UNIT TRUSTS

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
[illegible]						

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

Bishopsgate Progressive Mgmt Co (1200)F
15 St James' Place, London SW1A 1NW 071-493 8111

Commercial Union Tst Mngrs – Contd.

Confederation [illegible] Mngt Ltd (1200)F

GA Unit Trust Mngrs Ltd (1000)H
PO Box 237, York YO1 1LA

GT Unit Managers Ltd (1200)H
8th Floor, 8 Devonshire Sq, London EC2M 4YJ

Kleinwort Benson Unit Trusts (1400)F
10 Fenchurch Street London EC3

Marks & Spencer Unit Trust Ltd (1200)F

Marlborough F[illegible]anagers Ltd (1630)F

Martin Currie Unit Trusts Ltd (0905)H

Murray Johnstone UT Mgmt (1000)H

Rothschild Fund Management – Contd.

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Growth Units	5¼	136.6	136.6	[illegible]	[illegible]	[illegible]
Gilt & Fxd Int	5	145.9	145.9	[illegible]	[illegible]	[illegible]
Intl Growth	5¼	151.4	151.4	[illegible]	[illegible]	[illegible]
North American	5¼	98.95	100.3[illegible]	[illegible]	[illegible]	[illegible]
Far East	5¼	123.2	123.2	[illegible]	[illegible]	[illegible]
UK Smaller Cos	5¼	99.23	99.23	[illegible]	[illegible]	[illegible]
European	5¼	53.59	53.59	[illegible]	[illegible]	[illegible]
Japanese Growth	5¼	37.35	37.35	[illegible]	[illegible]	[illegible]
Managed P'folio	5¼	50.50	50.77	[illegible]	[illegible]	[illegible]
High Income	5¼	151.5	153.3	[illegible]	[illegible]	[illegible]
High Yielding Gt	5¼	60.76	60.76	[illegible]	[illegible]	[illegible]
Cash		51.41	51.41	51.41	9.72	40661

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
US Eq Inl Tracker Acc	5	152.6	152.6	163.6	2.83	46657
Japan Tracker	5	63.18	63.18	67.00	0.00	46921
Asian Tracker	5¼	89.34	89.34	95.41	1.40	40109
Managed Inc	5¼	100.7	100.7	108.3	1.95	46922
Managed Acc	5¼	102.3	102.3	110.0	1.95	46923
Cash Inc	0	100.55	100.55	100.55	10.32	44556
Cash Acc	0	109.69	109.69	109.69	10.32	44556
Europe	5¼	103.6	103.6	110.8	0.00	41122

Geoffrey Morley Unit Mgrs Ltd (1200)F
3 Bedford Park, Croydon CR0 2AQ 081-686 4818

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Exempt Unit Tst	4	117.35	117.35	124.87	2.60	41061
Exempt Smllr Cos	3¼	221.71	221.71	240.78	1.40	41063

[illegible]uide to pricing of Authorised Unit Trusts

Compiled with the assi[illegible]tan[illegible] of Lautro [illegible]

INITIAL CHARGE: Charge made on sale of [illegible] Used to defray marketing and administrative [illegible] including commission paid to interme[illegible] [illegible] charge is included in the price of units.

OFFER PRICE: Also called [illegible]. The price at which units are bought [illegible]

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower [illegible]. As a result, the bid price is often set above [illegible] cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation poi[illegible] [illegible] another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1[illegible] to 1400 hours; (♣) - 1401 to 1700 hours; ([illegible]) - 1701 to midnight. Daily dealing prices are set [illegible] the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may *not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.* The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The [illegible] report and scheme particulars can be o[illegible] free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

66 Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline, call 0836 430000. Calls charged at 34p/minute cheap rate and 45p/minute at all other times. To obtain your free Unit Trust [illegible] Booklet call 071-925-2128

Stewart Ivory Unit Tst Mgrs Ltd (1200)H

Edinburgh Fund Mngrs PLC

Albany Life Assurance Co Ltd – Contd.

Century Life Plc

Crusader Insurance PLC

Gresham Unit Assurance Ltd

Legal & General (Unit Pensions) Ltd

Manulife Group – Contd.

Fidelity Investment Services Ltd

Robert Fleming Asset Mngmt Ltd

Growth & Sec. Life Assce. Soc. Ltd

INSURANCES

OTHER UK UNIT TRUSTS

هكذا من الأصل

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N & P Life Assurance Ltd

National Financial Management Corp

National Mutual Life

National Provident Institution

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Prosperity Life Assurance Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc. Ltd

Provident Mutual Life Assc.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Heritage Life Assurance Ltd – Contd.

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assurance

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

Albany International Assurance Ltd

CMI Insurance Co Ltd

CMI Insurance Co Ltd – Contd.

Eagle Star Intl Financial Services

Equitable Life (International)

Equity & Law Intl Life Assce Co Ltd

Eurolife Assurance Group

Fidelity International Ltd

Finisterre Life Assurance Co Ltd

Hansard International Ltd

Isle of Man Assurance Ltd

Intl. Britannia International Ltd

Premium Life International Ltd

Providence Capital International Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

James Campbell Financial Services

Chase de Vere PLC

ECU Futures Plc

Edinburgh Money Management Ltd

Fairmount Financial Services Ltd

Gartmore Fund Managers Ltd

Hardwicke Financial Services(Pty) Ltd

IPS Limited PLC

Independent Financial Group PLC

Johnson Fry Asset Managers Plc

Knight Williams & Company Ltd

Macartney & Dawie Invest Mngt Plc

Northam Binge & Partners

PBR Fund Management Ltd

Pendleton Way Financial Services Ltd

Scarborough Financial Management Ltd

Sharp (Albert E.) & Co.

Tattersall Investment Mngt. Ltd

Towry Law & Co

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

Adams & Neville Fund Mngt (Guernsey) Ltd

BBV-Hambros Asset Mngt (Guernsey) Ltd

Baring Intl Fd Managers (Guernsey) Ltd

Equitable International Fund Managers Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lion World Fixed Income Fund

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prolific International Mngmt Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Funds

Barclays Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)

Adams & Neville Fund Mngt (Guernsey) Ltd

Bachmann Global Investment Fund Ltd

Credit Suisse Asset Mngmt (Guernsey) Ltd

Fleuret-Consult Fund Mngrs (Guernsey) Ltd

Hambros Fund Managers (CI) Ltd

Henderson Admin. (Guernsey)

Holborn Fund Management (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Kleinwort Benson Islamic Fd Mgmt Ltd

Lazard Fund Managers (CI) Ltd

Merrill Lynch Guernsey

Nikko Capital Mngt (Europe) Ltd

Sarasin International (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

Stonehage Fund Mngrs Ltd

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	Bid Price	Offer Price	Yield Gross	City-line
U.S. Treasury Securities Fund Ltd				
Short Term Shares	$769.11		–	45903
Fixed Income Shares	$994.83		–	45904
Yamaichi Capital Mangmt (Guernsey) Ltd				
Japan Meta Growth	$10.32		–	46000
Yamaichi ISS Fund	$7.65		–	46591
Yamaichi CB Plus Fund	$8.17		–	47335
Thai Inv Fund	$9.86		–	46493
Yamaichi OTC Equity (z)	$9.48		–	47326

IRELAND (SIB RECOGNISED)

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
GAM Fund Management Ltd (a)						
29 Kildare Street, Dublin				010 353 1760 630		
GAM Universal US $ Acc	$–		110.21			40337
GAM Universal US $ Inc	$–		108.01			40340
GAM Universal DM Acc	DM–		120.83			40341
GAM Universal DM Inc	DM–		118.11			40342
MI Global Asset Mngmt Co Ltd "MI Trusts"						
MI Global Dollar	$–		1.00	1.071	–	40461

IRELAND (REGULATED)(**)

	Bid Price	Offer Price	Yield Gross	City-line
[illegible] of Ireland Unit Managers Ltd				
Global Scan	59.24	9.52	–	43795
European Bond	[illegible]	[illegible]	–	45634
Investor Portfolio				
EquityAmerica	$11.19	11.87	–	46343
EquityEurope	$8.61	9.14	–	46346
BondAmerica	$10.46	11.09	–	46357
BondEurope	$8.91	9.46	–	46348
BondJapan	$9.90	10.50	–	46360
World Inv Trust	$10.33	10.96	–	46368
Opportunity Europe	$10.14	10.76	–	46364
Equibond	$9.82	10.42	–	–
Bond Plus	$10.06	10.66	–	–
Baring International Fd Mngrs (Ireland) Ltd				
Australia	$16.15	16.96	1.05	44799

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

Discount dilemma

THE D-MARK'S revival has run a little short of steam. This is largely the result of fading expectations about a rise in the German Lombard rate in the near future.

UK clearing bank base lending rate 11 per cent from July 12, 1991

Mr Helmut Schlesinger will attend next [illegible] meeting of the Bundesbank council for [illegible] first time [illegible] and will [illegible] certainly be [illegible] with a lively debate on the problems of inflation.

Not only is German inflation above the equivalent [illegible] rate for the [illegible] time in 18 years it is also relatively high in comparison with several of [illegible] neighbours in the European Community. The July [illegible] rate of 4.5 per cent for the area containing the old country of West Germany was the highest since December [illegible] having climbed from 2.5 per [illegible] since March. It also compared unfavourably with the latest rates of [illegible] per cent for the Netherlands, 3.3 per cent for France and [illegible] per cent for Belgium.

Comments [illegible] Mr Schlesinger have hinted strongly that Germany's 6.5 per cent discount [illegible] is too low, [illegible] compared with [illegible] market rates [illegible] around 9-9.5 per cent, but he also seems to have cast doubt on an increase in the Lombard rate.

There [illegible] a problem however [illegible] raising the discount rate without making a Lombard adjustment. Call money in Frankfurt is already around [illegible] per [illegible]. Raising the discount rate will increase the [illegible] of banks' financing, putting upward [illegible] rates, and possibly pushing call money above the 9 per cent Lombard [illegible]. This will [illegible] Lombard facility and [illegible] to round-tripping, where the borrowed Lombard money [illegible] lent into the mar[illegible] higher rate. It is not a situation [illegible] will wish [illegible] tolerate [illegible] very long.

£ IN NEW YORK

Aug 2	Close	Previous Close
£ Spot	1.6890-1.6900	1.6735-1.6745
1 month	0.74-0.72pm	0.73-0.71pm
3 months	2.12-2.09pm	2.04-2.02pm
12 months	6.67-6.57pm	6.32-6.25pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Aug 2	Previous
8.30 am	90.7	90.9
9.00 am	90.7	90.9
10.00 am	90.5	90.9
11.00 am	90.5	90.9
Noon	90.5	90.9
1.00 pm	90.5	90.9
2.00 pm	90.8	90.8
3.00 pm	90.8	90.8
4.00 pm	90.9	90.8

CURRENCY RATES

Aug 2	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	–	0.792107	0.698092
U.S Dollar	6.50	1.33470	1.16267
Canadian $	8.95	1.53504	1.33765
Austrian Sch	7	16.4101	14.4404
Belgian Franc	7.50	47.9991	42.2666
Danish Krone	9	9.02658	7.94919
D-Mark	6.50	2.33105	2.05212
Dutch Guilder	7.75	2.62976	2.31337
French Franc	10¼	7.92545	6.97603
Italian Lira	11½	1740.75	1553.80
Japanese Yen	5.50	182.987	160.181
Norway Krone	8	9.09996	8.01372
Spanish Peseta	–	145.863	128.460
Swedish Krona	10.00	8.45132	7.44401
[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

CHICAGO

[illegible]

CURRENCY MOVEMENTS

Aug 2	Bank of England Index	Morgan** Guaranty Changes %
Sterling	90.9	-20.7
U.S Dollar	66.6	-11.9
Canadian Dollar	105.6	+2.8
Austrian Schilling	108.8	+11.2
Belgian Franc	110.2	-2.9
Danish Krone	107.4	+2.1
D-Mark	116.5	+23.2
Swiss Franc	109.1	+17.4
Dutch Guilder	112.9	+15.0
French Franc	101.8	-13.9
Lira	98.1	-30.7
Yen	137.9	+69.4

Morgan Guaranty [illegible] average 1980-1982=100. Bank of [illegible] 1985=100. **Rates [illegible] for Aug.1

OTHER CURRENCIES

Aug 2	£	$
Argentina	16775.2 - 16832.0	9935.00 - 9945.00
Australia	2.1640 - 2.1660	1.2820 - 1.2830
Brazil	589.870 - 591.090	349.350 - 349.750
Finland	7.0685 - 7.0895	4.1925 - 4.1955
Greece	320.200 - 329.800	191.630 - 195.460
Hong Kong	13.0875 - 13.1040	7.7590 - 7.7620
Iran	112.00*	70.00*
Korea(Sth)	1206.10 - 1225.55	723.60 - 729.40
Kuwait	0.49060 - 0.49175	0.29135 - 0.29145
Luxembourg	60.80 - 60.90	35.85 - 35.95
Malaysia	4.6940 - 4.7020	2.7870 - 2.7890
Mexico	5090.80 - 5098.55	3015.00 - 3016.00
N.Zealand	2.9445 - 2.9480	1.7445 - 1.7465
Saudi Ar	6.2935 - 6.3205	3.7500 - 3.7510
Singapore	2.9330 - 2.9390	1.7410 - 1.7430
S.Af (Cm)	4.8375 - 4.8575	2.8630 - 2.8695
S.Af (Fn)	5.4630 - 5.5255	3.2365 - 3.2895
Taiwan	45.25 - 45.35	26.80 - 26.85
U.A.E.	6.1130 - 6.1900	3.6715 - 3.6735

* Selling rate.

FT FOREIGN EXCHANGE RATES

[illegible]

POUND SPOT - FORWARD AGAINST THE POUND

Aug 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	[illegible]	1.6950 - 1.6960	0.73-0.71cpm	5.10	2.08-2.05pm	4.87
Canada	[illegible]	1.9500 - 1.9510	0.41-0.33cpm	2.28	1.16-1.03pm	2.25
Netherlands	3.3100 - 3.3200	3.3100 - 3.3200	⅝-⅜cpm	1.81	1⅝-⅞pm	1.36
Belgium	60.40 - 60.90	60.80 - 60.90	12-8cpm	1.97	26-21pm	1.54
Denmark	11.3750 - 11.4450	11.4350 - 11.4450	2-1¼orepm	1.7	4⅝-3⅛pm	1.33
Ireland	1.0970 - 1.1070	1.0995 - 1.1005	par-0.05pdis	-0.27	0.20-0.10pm	0.55
[illegible]	2.9375 - 2.9455	2.9375 - 2.9425	½-⅜pfpm	1.79	1¼-1pm	1.53
[illegible]	251.80 - 253.90	252.90 - 253.90	76-135cdis	-5.00	224-309dis	-4.21
Spain	183.45 - 184.80	184.50 - 184.80	19-30cdis	-1.59	72-92dis	-2.78
[illegible]	2196.00 - 2203.00	2202.00 - 2203.00	par-2lirdis	-0.54	3-5dis	-0.73
[illegible]	11.4680 - 11.5425	11.5325 - 11.5425	1⅛-⅜orepm	0.85	2⅛-1⅜pm	0.63
[illegible]	9.9850 - 10.0115	9.9950 - 10.0050	1⅛-1pm	1.35	3⅛-2⅜pm	1.18
[illegible]	[illegible]	10.7100 - 10.7200	⅜-⅛orepm	0.56	½pm-½dis	–
Japan	[illegible]	231.25 - 232.25	¾-⅝ypm	3.56	2⅛-1⅞pm	3.45
Austria	20.66 - 20.[illegible]	20.76 - 20.79	3½-2gropm	1.59	8⅛-5⅜pm	1.36
Switzerland	2.5525 - 2.5720	2.5525 - 2.5625	¾-⅝pm	3.23	2-1⅛pm	2.93
Ecu	1.4355 - 1.4375	1.4365 - 1.4375	0.16-0.11cpm	1.13	0.35-0.28pm	0.88

Commercial rates taken towards the end of London trading. Six-month forward dollar 3.80-3.75cpm . 12 Month 6.65-6.55cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Aug 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6620 - 1.6960	1.6950 - 1.6960	0.73-0.71cpm	5.10	2.08-2.05pm	4.87
Ireland†	1.5125 - 1.5375	1.5335 - 1.5345	0.52-0.47cpm	3.87	1.60-1.50pm	4.04
Canada	1.1485 - 1.1515	1.1505 - 1.1515	0.25-0.28cdis	-2.76	0.74-0.79dis	-2.66
Netherlands	1.9545 - 1.9925	1.9545 - 1.9555	0.55-0.58cdis	-3.47	1.67-1.72dis	-3.47
Belgium	35.80 - 36.45	35.85 - 35.95	9.00-11.00cdis	-3.34	27.00-33.00dis	-3.34
Denmark	6.7245 - 6.8450	6.7450 - 6.7500	1.77-2.07oredis	-3.41	5.60-6.30dis	-3.53
Germany	1.7340 - 1.7680	1.7340 - 1.7350	0.47-0.49pfdis	-3.32	1.46-1.49dis	-3.40
Portugal	149.25 - 151.25	149.25 - 149.35	120-135cdis	-10.25	330-360dis	-9.24
Spain	108.70 - 110.70	109.05 - 109.15	60-64cdis	-6.82	178-183dis	-6.62
Italy	1297.50 - 1320.50	1298.75 - 1299.25	5.90-6.40liredis	-5.68	17.90-18.90dis	-5.67
Norway	6.7825 - 6.9010	6.8025 - 6.8075	2.25-2.55oredis	-4.23	6.85-7.45dis	-4.20
France	5.8950 - 6.0100	5.8950 - 5.9000	0.18-0.30cdis	-0.39	0.54-0.56dis	-0.37
Sweden	6.2905 - 6.4135	6.3175 - 6.3225	2.30-2.55oredis	-4.60	7.50-8.05dis	-4.92
Japan	136.50 - 138.05	136.70 - 136.80	0.16-0.18ydis	-1.49	0.46-0.49dis	-1.37
Austria	12.2550 - 12.4370	12.2550 - 12.2600	3.50-3.95grodis	-3.65	9.90-11.10dis	-3.43
Switzerland	1.5080 - 1.5430	1.5080 - 1.5090	0.23-0.26cdis	-1.95	0.70-0.75dis	-1.92
Ecu	1.1615 - 1.1815	1.1785 - 1.1795	0.40-0.38cpm	3.97	1.20-1.16pm	4.00

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

[illegible]	£	$	DM	[illegible]	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	[illegible]	[illegible]	[illegible]	10.00	[illegible]	[illegible]	[illegible]	[illegible]	60.85	1.437
[illegible]	[illegible]	1	1.733	136.7	[illegible]	[illegible]	1.955	[illegible]	1.150	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	1	78.84	[illegible]	0.870	[illegible]	[illegible]	[illegible]	20.70	0.489
[illegible]	4.314	[illegible]	[illegible]	1000.	43.14	[illegible]	14.30	9504	8.417	[illegible]	[illegible]
F Fr.	1.000	[illegible]	[illegible]	[illegible]	10.	[illegible]	3.315	2203	1.951	[illegible]	1.437
S Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

EURO-CURRENCY INTEREST RATES

[illegible]

Belgian Franc	9⅛ - 8⅞	9⅛ - 8⅞	9⅛ - 9⅛	9⅛ - 9⅛	9⅛ - 9⅛	9⅛ - 9⅛
Yen	7⅝ - 7½	7⅝ - 7½	7⅝ - 7½	7⅝ - 7½	7⅝ - 7½	7⅛ - 6⅞
Danish Krone	9⅛ - 9	9⅛ - 9	9⅛ - 9⅛	9⅛ - 9⅛	9⅛ - 9⅛	9⅛ - 9⅛
Asian $Sing	4½ - 4	4⅝ - 4⅛	5⅛ - 5⅛	5⅛ - 5⅛	5⅛ - 5⅛	6 - 5⅝

Long term [illegible] Dollars: two years 7⅛-7⅛ per cent; three years 7⅝-7⅝ per cent; four years 7⅞-7⅞ per cent; five years 8⅛-8⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

FT LONDON INTERBANK FIXING

(11.00 a.m. Aug.2) [illegible] US dollars		[illegible] US Dollars	
bid 5⅞	offer 6	bid 6⅛	offer 6¼

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — [illegible] Bills and Bonds

4pm					
		One month	6.25	Three year	6.98
		Two month	5.45	Four year	7.16
Prime rate	8½	Three month	5.62	Five year	7.40
Broker loan rate	7½	Six month	5.80	Seven year	7.89
Fed.funds	5⅞	One year	6.03	10-year	8.05
Fed.funds at intervention	–	Two year	6.69	30-year	8.25

Aug.2	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.90-9.00	8.85-9.00	8.90-9.05	9.05-9.20	9.30-9.45	9.00
Paris	9⅛-9⅛	9⅛-9⅛	9⅛-9⅛	9⅛-9⅛	9⅛-9⅛	9.25
Zurich	7⅛-7⅝	7⅛-7⅝	–	7⅛-8	–	–
Amsterdam	9.06-9.18	9.07-9.15	–	9.26-9.34	–	–
Tokyo	7⅛-7⅝	7⅛-7⅝	–	7⅛-7⅝	–	–
Milan	10⅞-11	11⅛-11⅛	–	11⅛-12⅛	–	–
Brussels	8.93-9.06	9⅛-9⅛	–	9⅛-9⅛	–	–
Dublin	9-9⅛	9⅛-10	10-10⅛	10⅛-10⅛	10⅛-10⅛	–

LONDON MONEY RATES

Aug 2	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	10¼	10⅞	11	11⅛	10⅞	10⅞
Interbank Bid	4	10½	10⅞	10⅞	10⅝	10⅝
Sterling CDs	–	–	10⅞	10⅞	10⅝	10⅝
Local Authority Deps.	10¼	10⅞	11⅛	11⅛	10⅞	10⅞
Local Authority Bonds	–	–	–	–	–	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

3 Mth. Treasury Bill	10⅛	-⅛	Three month	9.125	+0.050
1 Mth. Bank Bills	10⅞	+⅛	PARIS		
3 Mth. Bank Bills	10⅛	-⅛	Intervention Rate	9¼	Unch'd
[illegible]	7⅛	+⅛	One mth. Interbank	9⅛	+⅛
[illegible] Bills	7⅛	-⅛	Three month	9⅛	+⅛
BRUSSELS			MILAN		
One month	9⅛	+⅛	One month	11⅞	-⅛
Three month	9⅛	+⅛	Three month	11⅞	-⅛
AMSTERDAM			DUBLIN		
One month	9.11	+0.11	One month	9⅞	+⅛
Three month	9.30	+0.20	Three month	10⅛	+⅛

FINANCIAL TIMES STOCK INDICES

	Aug 2	Aug 1	July 31	July 30	July 29	July 26	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs.	85.33	85.09	84.98	84.78	84.92	84.85	85.88	82.17	[illegible]	[illegible]
Fixed Interest	93.89	93.83	94.04	93.98	94.03	94.04	94.84	90.59	105.4	50.53
Ordinary	2014.6	2006.7	2003.9	2011.8	2011.3	2003.8	2014.6	1606.3	2014.6	49.4
Gold Mines	180.7	189.2	186.0	181.2	187.3	183.8	222.8	127.0	734.7	43.5
FT-Act All Share	1241.97	[illegible]	1235.89	1238.75	[illegible]	1235.92	[illegible]	987.46	[illegible]	[illegible]
FT-SE 100	[illegible]	[illegible]	2586.8	2595.6	2593.0	2589.3	[illegible]	[illegible]	[illegible]	136.9
FT-SE Eurotrack 100	1116.44	1114.40	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	900.45	[illegible]	[illegible]
FT-SE Eurotrack 200	[illegible]	1174.74	1171.00	1172.18	[illegible]	[illegible]	[illegible]	938.82	1192.11	938.82

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

[illegible]

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and [illegible] (Local); Nordic: Dec 31, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).
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[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

BRITISH FUNDS—Contd

Amount £m	Stock	Price £	Wk % change	Last xd	Interest Due	City-line
1,620	Treas. 11½pc 2001-04	107½	0.9	11.2	19Sep 19Mar	1290
443	Funding 3½pc '99-04	59½	1.6	7.6	14Jan 14Jul	1274

[illegible]

(b) Figures in parentheses show RPI [illegible] indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for November 1990: 130.0 and for June 1991: 134.1.

INT. BANK AND O'SEAS

Amount £m	Stock	Price £	Wk % change	Last xd	Interest Due	City-line
50	African Dv Bk 11½Ln 2010	102⅛	0.2	1.12	4 Jan 4 Jul	–
100	Asian Dev Bk 10⅛pcLn2009	97⅞	0.2	28.3	24Mar 24Sep	–

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

25 Met. Wtr. 3pc 'B' ... 52 ... [illegible] 1Mar 1Sep 1061

FOREIGN BONDS & RAILS

[illegible]

Continued on next page

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

NOTES— Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

LONDON SHARE SERVICE

AMERICANS

Market Cap. £m	Stock	Price £	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
13,584.1	Abbott Laboratories	32¼	4.9	1.8	10.7	Fb My Ag Nv	1503
152.3	Allegheny & W 1c	29⅜	3.9	6.1	–	–	–
971.0	Amdahl 5c	87⅞	2.8	0.7	31.1	Nr Mr Jn Ag	–
3,493.6	Amer. Cyanamid $5	39½	4.3	2.2	27.2	Mr Ju Se De	–
7,390.4	Amer. Express 60c	15¾	6.6	3.5	1.7	Fb My Ag Nv	1594
25,092.5	American T. & T. $1	23½	0.3	3.5	27.3	Fb My Ag Nv	1597
15,806.9	Ameritech $1	36⅛	2.1	5.6	28.3	Fb My Ag Nv	–
4,554.0	BankAmerica $1	21¼	5.4	3.4	16.5	Fe My Sp Dc	1744
2,028.5	Bankers N.Y. $1	34¼	3.2	8.3	27.9	Ap Jy Oc Jan	1745
11,156.8	Bell Atlantic $1	28¼	–0.4	5.2	4.7	Fe My Au No	–
13,765.8	BellSouth Corp	28⅝	2.7	5.7	5.4	Fe My Au No	–
802.3	Bethlehem Steel $8	10⅞	4.3	2.2	6.2	Mar Jun S D	1821
543.6	Bowater Inc	15⅛	4.2	4.7	6.6	Oc Ja Ap Jy	1884
805.5	Brunswick 75c	9⅜	4.7	2.9	7.5	F My Au N	1989
3,927.5	CPC Intnl. 25c	52⅞	3.5	2.3	26.6	Jan Ap Jy Oct	2263
150.4	California Engy	6⅝	4.0	–	–	–	–
6,112.1	Campbell Soup 15c	48⅞	6.1	1.4	4.1	Oc Ja Ap Jy	2090
1,493.6	Chase Manhattan $12½	11⅞	–2.4	6.2	29.7	Fb My Au Nv	2109
1,708.4	Chrysler $6¼	8	–3.8	4.4	19.6	Apr Jul S D	2135
2,868.4	Chicorp $1	8⅛	–4.2	7.0	23.10	My Au N F	2141
3,124.6	Colgate-Palmolive $1	23⅞	0.5	2.7	22.7	F My Au N	2184
811.5	Cont'l Bank Corp $4	8⅞	2.9	7.4	31.5	Dc Mr Ju Se	–
812.6	Dana Corp. $1	19⅞		4.8	28.5	Mr Ju Se De	2306
281.5	Data General	10⅞	1.8	–	–	–	–
838.4	Dial Crop. $1.5	21⅛	–3.4	3.9	28.5	Ja Ap Jy Oc	2778
4,878.1	Dun & Bradstreet $1	27¼	2.8	4.7	13.2	Mr Ju Sp Dc	–
1,328.8	Eaton Corpn. 50c	38⅞	–0.6	–	2.2	–	2410
460.5	Echlin Inc	8¼	1.5	5.6	1.7	Jan Apr Jly Oct	3046
3,891.8	FPL Group 1c	19¼	4.4	7.4	28.5	Mar Jun Sep Dec	–
2,197.3	Fluor Corp 62½pc	27¼		0.7	21.6	Ja Ap Jy Oc	2609
9,168.3	Ford Motor $2	19⅝	–3.5	3.0	30.7	Mar Jun Sep Dec	2615
37,980.0	Gen. Elect. 63c	43⅝	1.3	2.8	3.6	Ja Ap Jy Oc	2675
–	General Host Corp $1	4⅝	2.9	4.4	13.12	–	–
5,273.2	Gillette $1	24⅛	7.5	1.5	24.5	Mar Jun Sep Dec	2695

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

For Scotts see INDUSTRIALS (Miscel.)

ELECTRICALS

ELECTRICITY

For Scott. Hydro-Electric and Scottish Power see EQUITIES under LONDON RECENT ISSUES

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LONDON SHARE SERVICE

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Components

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SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

TRANSPORT—Contd

INVESTMENT TRUSTS

INVESTMENT TRUSTS—Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

WATER

OIL AND GAS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares.
γ Gamma refers to other traded instruments.
Unless otherwise indicated, prices are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.
Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ● USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ¶ Price at time of suspension
- § Not comparable
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date.
- ¶ No par value

B.Fr. Belgian Francs. Fr. French Francs. ■ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Cents. e Redemption yield. f Flat yield. k Kenya. C Canadian. E Minimum tender price.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1	640	.....	Helton Hldgs	35	9.4
Finlay Pkg. 5p	28	.....	IRG	130	1.2
Holt (Jos) 25p	1970	-0.1	United Drug	170	-1.2

IRISH

Cap. 8½% Ln. 2010	£92¼	0.3
9pc Cap Ln. 1996	£97¼	-0.3
Fin. 13% 97/02	£112¼	-0.9
Arnotts	372	2.4

TRADITIONAL OPTIONS
3-month call rates

Industrials

	p
Allied-Lyons	46
Amstrad	7
Astec (BSR)	6
BAT	68
BOC Grp.	31
BTR	35
Barclays	38
Blue Circle	24
Boots	38
Bowaters	53
Brit Aerospace	56
British Steel	12
Brit. Telecom	29
Cadburys	33
Charter Cons.	45
Comm Union	44
Courtaulds	32
Eurotunnel	50
FKI	6
FNFC	20
Gen Accident	48
GEC	17
Glaxo	88
Grand Met.	62
Guardian	19
GKN	31
Hanson	19
Hawker Sidd.	59
ICI	80
Ladbroke	22
Legal & Gen.	35
Lex Service	28
Lloyds Bank	38
Lucas Inds.	13
Marks & Spencer	21
Midland Bk.	18
Nat West Bk.	27
P & O Dfd.	51
Racal Elect.	18
RHM	28
Rank Org Ord.	63
Ratners	17
Reed Intnl.	36
Sears	8½
SmKl. Beecham A	58
TI	40
TSB	12
Tesco	21
Thorn EMI	64
Trust Houses	25
T&N	15
Unilever	60
Vickers	19
Wellcome	48

Property

Brit Land	30
Control Secs.	3
Land Securities	45
MEPC	48
Mountleigh	8½

Oils

Aviva Petlm.	3
Brit Petroleum	28
Burmah Castrol	49
Conroy Petlm.	10
Gaelic Res.	3
Premier	6
Shell	41
Tuskar Res.	2
Ultramar	30

Mines

Lasmo	21
RTZ	48

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service:
Additions: Amalgamated Financial (Section: Trust Finance Land)
Deletions: Aminex Warrants (Mines)
Butler Cox (Electricals)
Doctus (Industrials)
Commerzbank (Banks)
Great American Bank (Americans)
Kelt Energy 6pc Prf. (Oils)
Jacob (WR) (Foods)
Logitek (Electricals)
Mayfield (Industrials)
Merchant Manufactory Ests. (Property)
Radio Clyde (Leisure)
Summer International (Newspapers)
Do. 7½pc Prf. (Newspapers)
Tournesol Exploration (Oils)
Westpool Investments (Trust Finance Land)

4:00 pm prices August 2

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	9¼	AAR Corp x	0.48	0.03	17	116	16½	16⅛	16½	-¼
18¾	14½	A L Labs A	0.16	0.01	19	225	17¾	17½	17¾	+¼
55¾	40⅞	AMP Inc x	1.44	0.03	20	1177	53⅛	51⅞	52⅛	-⅞
68⅝	44¼	AMR			11	2785	63¼	61½	62	-¾
2⅝	1¼	ARX			1	14	1½	1⅜	1½	
55	41½	ASA	3.50	0.07	14	1416	50⅛	49⅞	50⅛	-⅛
64¾	39¼	Abbott Lab	1.00	0.02	22	5278	u54½	53⅞	54¼	+¾
14½	9⅞	Abitibi Pr	0.50	0.04	25	16	14	14	14	
11⅝	10⅜	ACM Gvt In	1.26	0.11		1642	11⅛	10⅞	11	
9¾	8¾	ACM GvOpp	1.01	0.11		37	9½	9⅜	9⅜	
9¼	8¾	ACM Gvt Sp	1.01	0.11		298	9⅛	9	9⅛	
11	9⅞	ACM Gvt Se x	1.26	0.12		490	10½	10⅜	10⅜	
8⅜	7⅞	ACM Man	1.01	0.12		217	u8⅜	8¼	8¼	-⅛
12⅞	11½	ACM Managd	1.35	0.11		142	12¼	12	12¼	
7½	4⅝	Acme Cleve x	0.40	0.06	18	149	7¼	6⅞	7	-¼
6	3½	Acme Elect			39	2	4	4	4	
40	22¼	Acuson			23	804	35	34	34	-⅞
18½	14¼	Adams Expr	0.48	0.02	0	133	u18¾	18½	18⅝	+¼
20⅛	17½	Adobe12Pf	2.40	0.14		6	17½	d17½	17½	
9¼	6¼	Adobe Res			20	15	6⅞	6⅞	6⅞	-⅛
38⅝	15	Ad Micro				12	34⅝	34¼	34¼	-⅜
14¼	4⅝	Ad Micro P	3.00	0.26	18	5108	11⅝	11¼	11½	
5⅛	2¼	Advest Grp	0.15	0.04	6	13	4⅛	4	4⅛	+⅛
49⅛	33⅞	Aetna Lf x	2.76	0.07	7	3026	38⅞	37¼	37⅞	+⅛
10⅜	6⅝	Ahli A	0.24	0.03	45	2029	8¼	8	8¼	+⅛
20¼	12	Ahmanson	0.88	0.05	11	1826	18⅜	18	18¼	+¼
12¾	2⅞	Aileen Inc			15	130	11⅞	11⅜	11½	-¼
74⅛	51⅞	Air Pr Chm	1.56	0.02	14	1217	67½	66⅝	66⅝	-⅛
30	16⅝	Airbne Frt	0.30	0.01	19	841	29⅛	29	29⅛	-⅛
16⅞	12½	Airgas Inc			80	380	17	16⅞	17	+⅛
15¼	10	Airlease	2.06	0.17	6	32	12⅛	12⅛	12⅛	-⅛

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NYSE COMPOSITE PRICES

Continued from previous page

1991 High	Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26½	20¾	S Anita Rt	2.06	0.08	19	87	25	24⅞	24⅞	-⅛
15¼	11½	SCOR US Cp	0.24	0.02	8	16	13¼	13⅛	13¼	-⅛
37	20¾	SPS Techno	1.28	0.04	16	27	31¼	30⅞	30⅞	-½
2⅛	⅞	SaatchiA&S			0	361	[illegible]	[illegible]	[illegible]	+⅛
13	11	Sabine Rit	1.65	0.13	7	26	12¼	12⅛	12¼	+⅛
9⅞	5⅞	Safecard x	0.30	0.04		71088	8⅛	7⅞	8	+⅛
13¼	6⅝	Safeg'd Sc			3	63	11	10¾	11	
37	25	SafetyKin	0.32	0.01	34	2152	35⅛	34⅞	35⅛	+1
21⅝	11⅞	Safeway			17	420	19⅛	19	19	-⅛
4⅞	2⅞	SafewayW96				41	4¼	4⅛	4⅛	-⅛
35⅞	26⅞	StJoePaper	0.20	0.01	33	134	34⅞	34⅛	34⅞	+⅛
32	26⅝	StJoeLAP x	1.66	0.05	11	32	31⅛	31	31⅛	+⅛
4¼	1½	Salant Crp			0	14	3	2⅞	3	
65¾	43⅞	Sallie Mae	0.80	0.01	19	2590	64⅛	63	63⅝	-⅛
13⅞	10⅞	Salomon Br x	0.60	0.04		332	13⅛	13⅛	13⅛	
37	22¼	Salomoninc	0.64	0.02	8	4454	36⅝	36⅛	36⅛	
45¾	37⅛	SanDgo G&E	2.70	0.07	11	436	40	39⅞	40	+⅛
4⅞	2⅞	SantaFeEDu	0.60	0.19	14	14	3⅛	3	3⅛	+⅛
16¾	12	SantaFeERs	0.16	0.01	26	751	13	12⅞	12⅞	-⅛
31⅝	25	SantaFePac x	2.65	0.09	9	53	30⅛	29⅞	30	+⅛
10	5⅛	SantaFeSth			46	11187	9⅞	9⅝	9⅝	-⅛
43½	29⅞	Sara Lee	0.94	0.02	20	2583	u43½	43¼	43⅛	+⅛
¼	⅛	Savin Corp			0	1142	[illegible]	0.08	0.08	-0.02
7⅞	1⅞	Savin 0.80	0.46	0.17		15	2⅞	2⅞	2⅞	-⅛
38⅝	30½	Scana Corp	2.62	0.07	6	166	u38¼	38¼	38¼	+⅛
41⅞	36	Scecorp	2.72	0.06	11	3242	u42	41⅞	42	+⅛
54⅛	40⅞	ScheringPl x	1.32	0.02	10	6706	u55⅛	54¼	54⅛	+1
70⅛	50½	Sch'berger	1.20	0.02	26	3110	69⅛	67⅞	68	-1½
28	11⅛	Schwab(C) x	0.20	0.01	24	32	27⅞	27⅛	27⅛	-⅛
8⅞	3⅞	Schwitzer			14	135	7⅝	7⅞	7⅞	-⅛
17⅞	11½	ScientAtln	0.16	0.01	14	675	14½	14¼	14⅜	-⅛
9⅝	6⅞	Scotman	0.10	0.01	7	28	7½	7½	7½	

1991 High	Low	Stock	Div.	Yld.
46¼	34½	TRW Inc	1.80	0.04
1½	⅞	TacomaBoat		
25⅞	16⅞	Taiwan Fd		
8¼	4½	Talleyind	0.20	0.03
11⅞	7	Talley Pf		
58½	38⅝	Tambrands	1.20	0.02
16⅞	9¼	Tandem		
36½	25	Tandy Corp	0.60	0.02
12⅛	10⅞	Taurus Mun	0.83	0.07
35⅞	31⅛	Teco Energ r	1.72	0.05
30½	16¾	Tektronix	0.60	0.02
1⅞	⅞	Telecom Co		
24⅞	14⅞	Teledyne x	0.80	0.04
30⅛	24⅞	TeleEspSA x	1.33	0.06
49½	28½	Templeinl	0.88	0.02
18½	11½	TempltEmMk	0.16	0.01
9⅝	8⅝	TempltGlob r	0.84	0.10
8⅞	7⅞	TempltGlFd	0.84	0.10
52	33½	Tennecoinc	3.20	0.09
22	18⅝	Teppco Pa x	2.20	0.11
13⅝	6⅛	Teradyne		
14¾	7½	Terex	0.05	0.01
9⅞	5¼	Tesoro Pet		
70	56½	Texaco x	3.20	0.05
52¾	49⅞	Texaco C	3.98	0.08
23	14	Texas Ind x	0.20	0.01
47⅝	31⅞	Texas Inst x	0.72	0.02
28	19½	Texas Pac	0.40	0.02
38⅝	34⅛	Texas Util	3.00	0.08
10¼	5⅞	Textl Pf	1.10	0.11
7	3⅞	Textl Inds	1.10	0.18
35⅛	24¼	Textron	1.00	0.03

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1991 High	Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
51	43¼	Xerox4.125				z100	u51	51	50⅞	-⅛
21¼	14⅛	Xtra 1.94				32	20⅞	20½	20⅞	-⅛
24⅞	14¼	Xtra Corp	0.72	0.03	22	16	22⅞	22¼	22¼	
24¼	21⅛	Yankee Egy	1.60	0.07	10	20	22⅞	22⅞	22⅞	+⅛
1½	⅞	Zapata			0	212	[illegible]	¾	⅞	
9⅝	6⅛	ZenithElec			2	193	6⅞	6⅝	6⅝	+⅛
18½	12	Zenith Nar x	1.00	0.06	72	100	17⅞	17⅞	17⅞	-⅛
6¼	4½	Zenix Inc	0.84	0.14		26	6	5⅞	6	+⅛
15¼	10⅞	Zero Corp	0.40	0.03	15	108	14¼	14	14	-⅛
41⅞	29½	Zurn Ind	0.88	0.02	15	365	37½	37	37¼	+⅛
13½	10⅛	Zweig Fund	1.12	0.09		255	12⅝	12½	12½	-⅛
10	8½	Zweig Totl	0.96	0.10		425	u10	9⅞	10	+⅛

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices August 2

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
Pegasus G		8	516	12⅞	12⅛	12¾	-⅛
Perini		8	109	11⅝	10⅞	11⅝	+1⅛
Pet HeltP	0.37	12	7	10⅛	10⅛	10⅛	-⅛
Phil LD	0.17	8	1300	20⅞	20	20⅝	+⅛
Pitney A	1.10	10	59	25½	25⅛	25⅛	-⅛
Ply Gem	0.12	152	120	7⅝	7½	7⅝	+⅛
PresidioA	0.10	2	10	5⅞	5⅞	5⅞	
Price Com		0	16	¼	⅛	⅛	

NASDAQ NATIONAL MARKET

4:00 pm prices August 2

MONDAY INTERVIEW

The EC's very own visionary

Jacques Delors, president of the European Commission, speaks to **David Buchan**

Nothing frustrates a workaholic more than the summer wind-down of business in Europe.

The frustration is all the greater when you are Mr Jacques Delors, and you feel that the historic moment to become a world power may be slipping *past the European Community*, as ministers turn in circles on political and monetary union and fail to rise properly to foreign policy challenges.

Not that such mundane concerns dim his ultimate vision for Europe. "When I look at the long term trend (of EC developments), it is fantastic," he said, *settling back in his* executive jet on a recent flight to Portugal. This is just what you would expect from a man who has become the most successful president of the European Commission, who set the single market for 340m people in train, who launched the drive to monetary union that in turn has led to a much wider negotiation on political union. The personal pay-off for Mr Delors *has been a steady rise in opin*ion polls in France, placing him ever better for a run at the Elysée in 1995.

The Commission president has a heavy summer's work ahead. After four or five days' rest in his Burgundy house, he says he will attack first the increasingly burning question of immigration and then start reading himself into the history of central Europe, the bet*ter to see whether the EC* should take in new members from that region. This fanatical believer in European self-improvement devours dossiers the way Arnold Schwarzenegger pumps iron.

Gone is the gloomy silence into which Mr Delors was plunged earlier this year by the virtual irrelevance of the EC during the Gulf war. Those events got the inter-governmental conference (IGC) on political union off to an argumentative start, especially con*cerning whether the EC should* have a common defence policy. "I thought the very divisive question of defence would have stopped the rest (of the IGC work)," he says. "But this has not been the case."

But progress is maddeningly slow. The Twelve's negotiators on political union may meet weekly, those on economic and monetary union (Emu) fortnightly. But forward move*ment depends on ministers* breaking the various deadlocks at their monthly meetings. And this is precisely what they don't do, Mr Delors says. He is particularly critical of finance ministers who he says are "fed up with Europe" and are threatening an interminable transition to Emu. "If the transition is too long, there never will be a single money – that's my bet." But foreign ministers also draw Mr Delors's ire. Using Milan Kundera's phrase, he complains of "their unbearable lightness of being" in failing for the past six months to embark on any serious negotiation of their many differences on political union.

*If Mr Delors ends up appeal*ing over the ministers' heads to their bosses, it will not be the first time. He can count on traditional backing from the leaders of the Benelux (one of which, Mr Ruud Lubbers of the Netherlands, would like to succeed him), and of Italy. He has a personal rapport with Mr Helmut Kohl and Mr Felipe Gonzalez, but a deeply complicated relationship with Mr François Mitterrand.

Ties are more distant with the other five leaders, and governed by special factors in two cases. Greece is suspicious of the way the Commission has stepped in to "nanny" its economy. Mr Delors admires the way Mr John Major handles himself politically, but is aware *that* hopes of warmer relations with Downing Street depend on the vagaries of Britain's Euro-debate.

Oddly, as Mr Delors's international stature grows, so has his difficulty in getting the support of his 16 Commission colleagues on the more routine matters that come before the EC executive. Out of town for two or three days a week, he now no longer has the time to *line up backers within "the col*lege" of commissioners that others, notably the assiduous Sir Leon Brittan, have. Mr Delors complains colleagues never return the concessions he makes to them. Sometimes after a meeting with a fellow commissioner he says he feels "like smashing a couple of vases against the wall".

Would he cut back his international profile so as to devote more time to oiling the Brussels machine? Clearly not. His big ambition is to see Europe *taking on the new world role* cast for it by the end of the cold war. Before 1988-89, he says, it was easy enough. "Europe was protected against the communist baddies by the American white knight and his nuclear umbrella – France played the flirt, Britain the disciplined one, Germany the discreet one. All that is gone. *Europe est maintenant face à son destin.*"

It is high time for the EC to grow up, he says. "We are like a 18 year-old put at the door by Papa – we have got to pick up our suitcase, find a job, a place to live, a girl-friend and so on." If, on the other hand, Europe still behaves "as though it has a protector or an insurance contract, then this will signal its absolute historical decline". Yugoslavia is important here.

'The long term trend is fantastic'

America, though mighty after its Gulf victory, has left Brussels to make all the running in mediation, and Mr Delors considers it the EC's collective "duty" to get as involved in finding peace in Yugoslavia as the US is in the Middle East.

This world challenge is, to Mr Delors, "the fascinating characteristic" of today. Set against the EC's future potential, the separate national *hang-ups of its members are* just echos of the past. Harping on such totems as "the nation state, the role of the Queen, *la France universelle*, 1789" is, he says, "ridiculous, when we are on the verge of an historic period. Those (EC founding fathers) who preceded us *thought of this*. They created the instruments for dealing with this. Are we capable of *using them? Yes or no? Voilà!*"

All this thinking big has affected Mr Delors's views on EC enlargement. He was once a staunch opponent of "widening" the EC to take in new members until it had been "deepened" by further integration. Last week the Commission gave Austrian membership a favourable nod.

Mr Delors still thinks it is premature for applicants such *as Austria and Sweden to want* to jump into a marriage contract now, "before they know what sort of (EC) fiancée will emerge from Maastricht", where the IGCs are due to wrap up with a political and monetary union treaty in December. But he says his views have changed since 1988-89. The Community has to decide "whether it wants to *stay a settled rich man's club*, or to become an entity which exercises an influence in the world". It is, he says, "our responsibility to organise Europe", even if perhaps that means one day taking in the central European states, whose ungrateful leaders, in Mr Delors's view, consistently underrate what the EC has already done for them.

In arriving this autumn at a *stance on enlargement*, Mr Delors says he intends to re-read "the history of *Mitteleuropa* back to the start of this century". In preparing his 1989 Bruges speech – a response to Mrs Margaret Thatcher's paean to the nation state a year earlier – he claims to have trekked through 10,000 pages of European history, from the fourth to the 19th century. The defining model of modern *Europe, for Mr Delors*, is that created by Keynes and Beveridge, giving an influential economic and social role to government. In this, one can see the intellectual seeds that sprouted into the Social Charter.

But it is industrial, rather than social, policy that agitates him these days. "Whatever some may say, I say long live Eurochampions!" he retorts to those who disparage attempts by Brussels to nurture world-beating industries. "One simply *cannot have 90 per cent of* European companies owned by Americans, Japanese and Swedes." He says he is not advocating pouring cash into companies, but an industrial policy that relies on "promotional standards", like that promulgated by Brussels for high definition television, on training and on R & D that encourages more co-operation by companies downstream, nearer the *market-place*.

These are the policies which he says he would prescribe to all sectors coming to Brussels for help. "Those who reject this are either super-rightwing ideologues or they have national aims," he says. For him, competitiveness rather than competition policy is clearly the key word, and he would like it written firmly *into the new EC treaty*.

As it happens – Mr Delors insists he has never taken instructions from Paris – these views on industrial policy coincide with mainstream opinion in France. Mr Delors would like to finish his current term in Brussels at the end of 1992; indeed he is already reckoning that he will have to spend most of the second half of next year (with Britain hold*ing the EC presidency) dealing* with enlargement.

What then? He is unlikely to refuse a second offer to be prime minister of France. In 1983 Mr Mitterrand offered him the job, but Mr Delors said he would only take it if he could also continue to direct the *Trésor* (external monetary policy) – a condition that Mr Mitterrand baulked at. If the Matignon *offer* does not come his *way again, Mr Delors would* not mind being asked to stay two more years in Brussels. Either way, he would keep his options open for a presidential bid in 1995.

PERSONAL FILE

1925 Born in Paris.
1945-62 Banque de Paris.
1962-69 *Head of social affairs*, National Planning Commission.
1974 *Joined Socialist party*.
1979 Member of European Parliament.
1981-84 Economics, finance and budget minister.
1985 President of European Commission.

Locked out of the White House

MICHAEL PROWSE on America

As President George Bush relaxes after another *successful* foreign trip, Democrats are sunk in depression. Regaining the White House in 1992 looks about as easy as climbing Mount Everest without ropes or oxygen.

Mr Bush, ridiculed in the 1988 campaign as the "man with a silver foot in his mouth", is one of the most popular presidents in recent history. His approval ratings are *so daunting that only one* Democrat, Mr Paul Tsongas, an almost unknown former senator from Massachusetts, has so far declared his candidacy. Meanwhile, Mr Richard Gephardt, the House majority leader and hitherto one of the Democrats' best hopes, has declared he will not run.

The *Democrats' presidential* cupboard, however, is not entirely bare. According to an NBC/Wall Street Journal poll, Governor Mario Cuomo of New York, Senator Albert Gore of Tennessee and the Rev Jesse Jackson are the most popular potential candidates among Democratic voters. Governor Cuomo, the first choice of nearly a quarter of Democrats, is a charismatic figure capable *of mounting* an effective challenge in 1992. But after a trying year struggling to curb New York's huge budget deficit he seems disinclined to run.

Mr Gore, young and telegenic, is hardly a heavyweight but has the advantage of being one of only a handful of leading congressional Democrats to vote *in favour of military* action in the Gulf. Mr Jackson, a powerful orator and seasoned *campaigner*, would galvanise a "rainbow coalition" of minorities. But being both black and left-wing, he has no hope of winning a presidential race.

Among dark horses, Senator Jay Rockefeller from West Virginia is attracting interest. The NBC poll indicates he is the preferred candidate of 11 per cent of Democrats, putting him only slightly behind Messrs Gore and Jackson. Born a mul*ti-millionaire, Mr Rockefeller* appears genuinely moved by the plight of the poorest Americans. He recently gained prominence by chairing two national commissions – on health care reform and family policy.

The trouble is that polls suggest Mr Bush would comfortably defeat *Mr Cuomo and* trounce the lesser figures. The wimp of the 1988 campaign has *become* a fearsome warrior.

Mr Bush's strongest card, of course, is his handling of the Gulf war. Unlike most Democrats, he correctly gambled that President Saddam Hussein was a bully who could be militarily defeated *with little loss of* American life. Even with Mr Saddam still in power and the *region in disarray, the military victory* tastes sweet to most Americans after the humiliation of Vietnam.

The president has played other foreign policy cards shrewdly. He was supremely fortunate to reach the Oval Office just as communism was collapsing as a political ideology. But rather than gloating he has supported President Mikhail Gorbachev thereby *winning Soviet backing in* other spheres, such as the Middle East, where an Arab-Israeli peace conference is now expected.

The Democratic party's position is not quite as weak as it appears. Unlike the British Labour party, it has not been spurned by the electorate for years. The Democrats have lost five of the past six presidential elections but their strength on *Capitol Hill is undiminished*. They enjoy a huge majority in the House of Representatives *and a 57 to 43 advantage in the* Senate. In last November's gubernatorial elections, the Republicans held on to California but the Democrats won important governorships in the populous states of Texas and Florida. More people say they intend to vote Democratic than Republican in next year's congressional elections.

The electorate thus still seems to support Democratic values and policies. The dilemma is that the party *seems to have lost its* key to the White House.

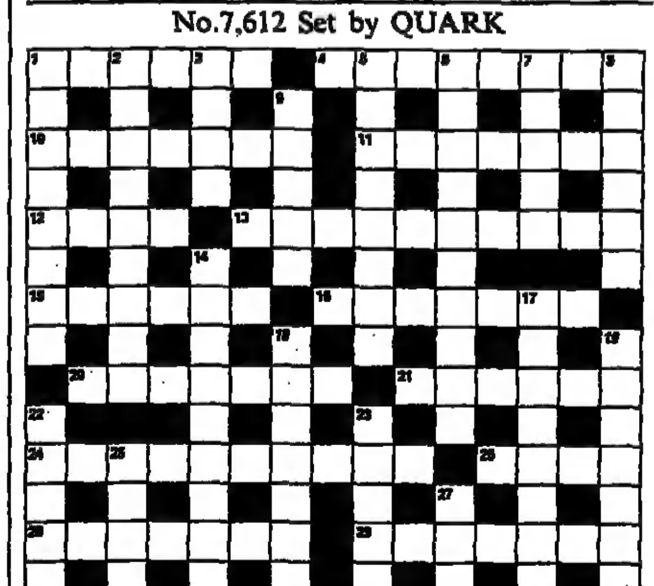
Conventional wisdom holds that the best route to executive power is to focus attention more firmly on domestic problems. It was ironic that while Mr Bush was lecturing Ukrainians on freedom last week, the Washington Post was lecturing the president about the appalling social problems in his own capital city. It drew attention *to 14 year-old children* recruited as murderers by drug-dealers because they face only light sentences as juveniles. Polls show that voters care more about domestic than foreign policy and that many disapprove of Mr Bush's handling of social issues.

Merely drawing attention to *social problems, however*, will achieve little. The Democrats must also demonstrate compe*tence in solving problems*. Thanks to Mr Rockefeller, they have begun to seize the initiative in health care. But in most other areas they remain mute or confused. Mr Bush is making the running on education policy by advocating greater parental choice and national tests to raise standards. And he has put *Democrats* on the defensive over civil rights by accusing them of favouring *crude employment quotas for* minorities.

But even if Democrats get their domestic act together, the White House remains a dim prospect. The NBC poll suggests 60 per cent of voters think control of Congress and the White House should be split between the parties. The Democrats already enjoy dominance in Congress and state government, which is seen as *the natural home for domestic* policy. To seize the White House they need a candidate *who can outshine President* Bush as a foreign policy tzar and commander-in-chief. That will scarcely be easy given the president's recent record.

CROSSWORD

No.7,612 Set by QUARK



ACROSS

1 Ammo is developed in plant (6)
4 Society dish to make a splash? (8)
10 A disc jockey runs unexpected charges (7)
11 Takes in form of protection in backing house (7)
12 Standard introductions to national or regional meetings (4)
13 Instrument heard on steam radio? (10)
15 The black stuff's explosive! Calm down (6)
16 One club gathered in church room partitioned off (7)
20 One playing rugby in support of county division? (7)
21 Got the pip (in a state of inebriation) (6)
24 Bad-tempered man, crude (no mug), to be reformed (10)
26 Herb's a wise man (4)
28 Advertise musical instrument (7)
29 British title cracks likely to collapse (7)
30 Firm to finish up with top-class band (8)
31 Alcoholic mood? (6)

DOWN

1 Parsimony of girl in a muddle (8)
2 Officer's mood affected the steward (9)
3 Brisk shower when one goes out (4)
5 Computer info? Torn it up somehow (5-3)
6 How to produce something shortly (10)
7 Instrument we hear that's often underground (5)
8 Summary about the birds coming up (6)
9 Flower festival doesn't start (5)
14 Display knitted article for competitive rider (10)
17 Former educationist's university (9)
18 Bring the changes in to cheer things up (8)
19 The supporter's a sticker (8)
22 Mower for an old-timer? (6)
23 Pressure group in the waiting-room (5)
25 One will stand these drinks in a circle (5)
27 Imperfect speech in town hall is panned (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday August 17.

BASE LENDING RATES

[illegible]

Bingham and the BCCI affair

JUSTINIAN

The public rightly expects that any inquiry into a national scandal or social disaster should reveal the true nature and extent of the calamity, unmask the guilty and indicate what needs *to be done to avoid a similar* occurance.

The independent inquiry into the supervision of the Bank of Credit and Commerce International, to be headed by Lord Justice Bingham and set up jointly by the chancellor and the Governor of the Bank of England, has from the out*set aroused public anxiety*. The anxieties focus on the inquiry's lack of powers to summon witnesses and the decision to conduct proceedings behind closed doors. Much of the media comment on these issues misunderstands the role and function of an independent inquiry.

Every event which prompts a *public inquiry has its own* peculiar features. No two events dictate the same formula for the conduct of the inquiry. Each inquiring body likes to adopt its own procedure to meet the circumstances of the event under inquiry and the terms of reference.

A non-statutory body of inquiry, such as Lord Justice Bingham's, provides greater flexibility in procedure. Whereas Lord Justice Woolf, in his inquiry into the prison disturbances of April 1990, witnessed over 25 days by the television-viewing public and read about at length in newspapers, found no difficulty in conducting his inquiry in full view of the public, the same cannot be said for other forms of inquiry.

Lord Justice Bingham (then Mr Thomas Bingham QC) in 1977-78 investigated in private the supply of petroleum products to Rhodesia in breach of United Nations sanctions; his published report concluded that UK oil companies knowingly violated the legal sanctions and that government offi*cials were aware of such* violations.

While inquiries vary widely in their procedures, there are two immutable principles. The inquiry must be thorough if it is to perform the task of revealing what precisely happened and in assessing any attribution of blame. At the same time, the inquiry must be unquestionably fair to all those who may become the subject of criticism in the final report.

Thoroughness demands that all witnesses and documentary evidence relevant to the terms of reference should be available to the inquirer. The existence of a power to subpoena will ordinarily ensure that. But if the witnesses are abroad and the documentation is in the hands of foreigners, subpoena powers will prove fruitless. Lord Justice Bingham has not been given any such powers, though this is not regarded as a significant omission. If he *were to conclude that such* powers were essential no doubt the chancellor could resort to statutory measures. That might involve resorting to the the Tribunals of Inquiry (Evidence) Act 1921, which clothed tribunals with all the powers of the High Court.

Thoroughness may not always be *compatible with fair*ness. The former might call for oral examination of BCCI officials. Even if they are available in the UK to give evidence or be willing to come voluntarily in front of Lord Justice Bingham, they might do so only if any alleged criminality was not going to be exposed to *public* view.

One of the consistent obstacles to public inquiries which indicate the commission of serious criminal offences is the possibility that a prosecution might have to follow the conclusion of the inquiry. Potential defendants will always be safeguarded by a withholding of the inquiry report until after any criminal proceedings have run their course. This involves denying to the public full details of the events under inquiry, as happened with the report involving the Fayed brothers and Harrods store.

If it is in the public interest to have a scandal or disaster expeditiously investigated followed by full public disclosure of the findings, then there is a strong argument, at the time of establishing the inquiry, in favour of foregoing any criminal process. No one in government has yet been so bold as to confer immunity from criminal *trial to potential witnesses in* public inquiries. But it is a topic ripe for consideration.

The greatest anxiety being expressed publicly regarding the BCCI inquiry is over the sponsors' direction to Lord Justice Bingham that proceedings be held in private. No doubt, considerations of revealed *criminality and confidentiality* of transactions within banking law and practices militate against an open inquiry.

The decision to hold an inquiry in public or in private is frequently left to the inquiring body to determine. What can be safely assumed in this case is that Lord Justice Bingham *himself* concurred with the view that his inquiry would best be conducted in private. Had he thought *otherwise* he would have insisted on holding the inquiry in public or have declined to accept the invitation in the first place. After all, he has been through a similar experience in the Rhodesian inquiry and doubtless knows all the wrinkles of investigating such tricky commercial and banking practices.

In any event, the government should, for its part, disclose more fully its reasons for preferring the inquiry to be held in camera.

Louis Blom-Cooper QC